



**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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William K. Huang
Acting Executive Director

October 14, 2008

Honorable Board of Commissioners
Community Development Commission
of the County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

1 - D OCT 14 2008

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**APPROVAL OF THE ASSUMPTION OF A COMMUNITY DEVELOPMENT BLOCK
GRANT LOAN AND LOAN AGREEMENT FOR 67 UNITS OF AFFORDABLE
HOUSING LOCATED IN THE CITY OF SANTA CLARITA
(District 5) (3 Vote)**

SUBJECT:

This letter requests that your Board approve the assumption of a Community Development Block Grant loan by Mercy Housing California XLIII to facilitate the acquisition and rehabilitation of Santa Clara Terrace, a multifamily rental housing development located in the City of Santa Clarita.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the approval of the purchase and rehabilitation of the Santa Clara Terrace development is exempt from the provisions of the California Environmental Quality Act (CEQA), as described herein, because the project includes activities that will not have the potential for causing a significant effect on the environment.
2. Approve assumption of an existing Community Development Block Grant (CDBG) loan in the amount of \$500,000 by Mercy Housing XLIII (Developer) plus accrued interest for a total of \$1,600,000, in order to facilitate the Developer's acquisition and rehabilitation of Santa Clara Terrace (Project), a 67-unit multifamily rental housing development located at 27077 Hidaway Avenue in the City of Santa Clarita.



3. Authorize the Acting Executive Director to negotiate a Loan Agreement with the Developer to update the loan terms to the Commission's current standards.
4. Approve the replacement of the current Regulatory Agreement and the current Deed of Trust with a new Covenants, Conditions and Restrictions and a new Deed of Trust that updates the loan terms to the Commission's current standards.
5. Authorize the Acting Executive Director to execute the Loan Agreement, which is attached in substantially final form, and all related documents, including the Covenants, Conditions and Restrictions and Deed of Trust, following approval as to form by County Counsel.
6. Authorize the Acting Executive Director to execute documents to subordinate the loan to permitted construction and permanent financing, to execute any necessary intergovernmental, interagency, or inter-creditor agreements, and to execute and modify all related documents as necessary for the implementation of the Project.

PURPOSE /JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of the recommended actions is to approve assumption of a CDBG loan by the Developer and negotiation of a Loan Agreement for Santa Clara Terrace, an affordable multifamily rental housing development located at 27077 Hidaway Avenue in Santa Clarita. This approval is critical to the Developer's ability to acquire the site and leverage other non-County funding sources.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

The Commission is recommending assumption by the Developer of an existing CDBG loan in the amount of \$500,000 and approximate accrued interest of \$1,100,000, for a total of \$1,600,000, to facilitate acquisition and rehabilitation of the Project.

The renegotiated loan will be evidenced by a Promissory Note and secured by a Deed of Trust, with the term of affordability enforced by a recorded Covenants, Conditions and Restrictions document. All prior loan documents will be replaced with the renegotiated documents.

A Financial Analysis is provided as Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The recommended actions will allow the assumption of a CDBG loan by the Developer under a new Loan Agreement with the Commission, to be executed by the Acting Executive Director following completion of financial arrangements and approval as to form by County Counsel. The Loan Agreement will incorporate affordability restrictions and provisions requiring the Developer to comply with all applicable federal, state, and local laws.

The Project site was initially purchased by the Commission using CDBG funds. In 1984, the Commission sold the site to SHB Financial Corporation (SHB), who constructed a 67-unit development on the site with two and three-bedroom units divided among 16 town-home styled buildings.

In the original transaction, SHB issued a promissory note to the Commission in the amount of \$500,000 with a 12-year deferred-payment term and interest accruing at 10% per year until the note was paid in full. However, the note was not paid upon maturity and there is now a total outstanding amount of approximately \$1,700,000.

The Developer has agreed to purchase the site and assume the existing loan. The Developer, a limited partnership, will become the legally responsible party under the CDBG loan. The Developer will assume \$1,600,000 of the approximate \$1,700,000 outstanding loan amount. The loan balance above \$1,600,000 will be granted to the Project.

The Project's rehabilitation, estimated at approximately \$35,000 per unit or approximately \$2,380,000 total, will include electrical, plumbing and HVAC upgrades inside the units. Window replacement, exterior painting and an exterior lighting upgrade are also included in the rehabilitation plan. The rehabilitation will not include any substantial changes to the existing structures or to the physical layout of the property. The total number of units will be maintained.

The Project will consist of 67 units. Thirty-six units will be set aside for households with incomes at or below 60% of the area median income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size. Thirty units will be set aside for households at 50% AMI. The remaining unit will be set aside for the manager and will have no income restrictions. The units will remain income-restricted for 55 years.

These affordability restrictions will necessitate that 30 of 67 households whose incomes have moved above qualifying levels will need to permanently relocate. The remaining tenants may need to move from their units for 1-3 days while improvements are completed. The Developer has hired a relocation consultant to

prepare a relocation plan to address the requirements according to both state and federal law, at an estimated cost of \$811,911 to the Developer.

The Developer will implement a supportive services plan to meet the needs of the residents. An on-site service coordinator will facilitate these services, which are anticipated to include after school tutoring, computer education and financial literacy.

The City of Santa Clarita has made a loan commitment in the approximate amount of \$2,750,000. The California Finance Housing Agency has committed approximately \$8,300,000 for the construction phase and \$4,950,000 for the permanent phase.

ENVIRONMENTAL DOCUMENTATION:

Pursuant to Title 24 of the Code of Federal Regulations, Section 58.35 (a)(3)(ii), this action is excluded from the National Environmental Policy Act because it involves activities that will not alter existing environmental conditions. The action is exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15301 because it does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROGRAM:

The requested actions will increase the supply of affordable housing for low-income families in the County of Los Angeles.

Respectfully submitted,


for WILLIAM K. HUANG
Acting Executive Director

Attachments: 2
WKH:CBB

ATTACHMENT A
HOUSING FINANCIAL ANALYSIS
Santa Clara Terrace

	TOTAL	PER UNIT
USES		
Development Costs	\$13,610,677	\$ 203,144
SOURCES		
<u>Construction Phase</u>		
CalHFA (Tax-Exempt Financing)	\$ 8,300,000	
CalHFA HAT	\$ 700,000	
LA County CDBG	\$ 1,600,000	
City of Santa Clarita	\$ 1,592,741	
Seller Credit	\$ 100,000	
Deferred Costs / Interest	\$ 241,260	
Deferred Developer Fee	\$ 1,011,220	
LIHTC Equity - 4% *	\$ 65,356	
Developer Equity	\$ 100	
Total Construction Sources	\$13,610,677	\$ 203,144
<u>Permanent Phase</u>		
CalHFA (Tax-Exempt Financing)	\$ 4,254,000	
CalHFA HAT	\$ 700,000	
LA County CDBG	\$ 1,600,000	
City of Santa Clarita	\$ 2,749,586	
Seller Credit	\$ 100,000	
Deferred Costs / Interest	\$ 38,900	
Deferred Developer Fee	\$ 735,740	
LIHTC Equity - 4% *	\$ 3,267,787	
Developer Equity	\$ 100	
Income from Operations (during rehab)	\$ 164,564	
Total Permanent Sources	\$13,610,677	\$ 203,144

*Proposed funding sources not currently committed.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

(CDBG)

LOAN AGREEMENT

by and between the

**COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES**

a public body corporate and politic

and

MERCY HOUSING XLIII, L.P.

a California limited partnership

for a loan in the principal amount of up to
\$1,600,000

___, 2008

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LOAN AGREEMENT
(CDBG FUND - PROJECT NO. _____)

Transaction Summary

Project Name: Santa Clara Terrace

Borrower Name: Mercy Housing XLIII, L.P.
☒ Limited Partnership ☐ LLC ☐ Nonprofit Public Benefit Corporation ☐ Other _____

State of Formation of Borrower Entity: ☒ California; ☐ Delaware; ☐ Other _____ (specify)

Loan Amount: \$ 1,600,000 Interest Rate: 3% simple, 10% Default
Repayment term: 55 years **Repayment type:** Residual Receipts (15.84% pro rata share)

Use of Loan Funds: ☒ Acquisition; ☐ Predevelopment; ☐ Construction; ☒ Permanent;
☐ Collateral Pledge; ☐ Rehabilitation; ☐ _____

Location (Jurisdiction): ☒ Incorporated - Santa Clarita; ☐ Unincorporated - _____

Site Acreage: approximately 3 acres

Project Type: Rental for
☐ Seniors _____ years and older; ☒ Families ; ☐ Special Needs (specify: _____)

UNITS: Affordability Term: 55 years

Household Income Level (% of Area Median Income)	2-BR units	3-BR units	TOTAL UNITS	Total CDBG Assisted Units
Fifty Percent (50%)	23	7	30	30
Sixty Percent (60%)	24	12	36	36
Manager's Unit	1		1	0
TOTAL	48	19	67	66

Other Project Financing Sources / Priority Relative to Commission Loan:

(1) CalHFA – Bonds (Construction)	\$8,300,000	<input checked="" type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input type="checkbox"/> N/A
(2) CalHFA – Bonds (Permanent)	\$4,254,000	<input checked="" type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input type="checkbox"/> N/A
(3) City of Santa Clarita	\$2,749,586	<input checked="" type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input type="checkbox"/> N/A
(4) CalHFA HAT	\$700,000	<input checked="" type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input type="checkbox"/> N/A
(5) Deferred Developer Fee	\$735,740	<input type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input checked="" type="checkbox"/> N/A
(6) Deferred Costs / Interest	\$38,900	<input type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input checked="" type="checkbox"/> N/A
(7) LIHTC Equity - 4%	\$3,267,787	<input type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input checked="" type="checkbox"/> N/A
(8) Developer Equity	\$100,100	<input type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input checked="" type="checkbox"/> N/A
(9) Income from Operations (during Rehab) or Developer Equity	\$164,564	<input type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity <input checked="" type="checkbox"/> N/A

The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Loan Agreement shall control.

.THIS LOAN AGREEMENT ("Agreement") is made as of the _____ day of _____, 200_____, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission"), and **MERCY HOUSING CALIFORNIA XLIII, L.P.**, a California limited partnership (listed in the Transaction Summary above) ("Borrower"). Commission and Borrower are sometimes referred to collectively herein as the "Parties" and each individually as a "Party".

R E C I T A L S

A. WHEREAS, the Commission made a loan using Community Development Block Grant ("CDBG") funds to a developer for the new construction of the Site (as herein defined), which was completed in 1987. This developer will now sell the Site to the Borrower subject to the CDBG loan. The site commonly known as 27077 Hidaway Avenue, Santa Clarita, CA, 91351, and legally described in Exhibit "B" to this Agreement (the "Site"). A detailed Project description is attached hereto as Exhibit "F" (and reduced site plans and elevations for the Project are attached as Exhibit "H".)

B. WHEREAS, Borrower desires to assume the CDBG loan in the amount of **ONE MILLION SIX HUNDRED THOUSAND DOLLARS (\$1,600,000)** (the "Loan") from the Commission for the purpose of providing acquisition and permanent financing of the Site (as hereafter defined) in connection with the housing development ("Project") described in the Transaction Summary above, and as more particularly described in this Agreement.

C. WHEREAS, other sources of financing for the Project are anticipated to include, but may not be limited to (i) senior lien financing listed in the Transaction Summary above ("Senior Financing"), to which the Commission shall expressly subordinate the lien of the Commission's Deed of Trust and CC&R's; (ii) financing junior in priority to the lien of the Commission's Deed of Trust as listed in the Transaction Summary above ("Junior Financing"); and (iii) other financing sources listed in the Transaction Summary above ("Other Financing").

D. WHEREAS, acquisition, rehabilitation and operation of the Project on the terms and conditions provided in this Agreement will provide affordable housing opportunities for persons of low and very low income as described in the Transaction Summary above. If applicable, the Project will provide supportive services to the extent described in Section 7 below and in Exhibit "____".

E. WHEREAS, as more particularly provided below, Borrower will deliver to the Commission, among other items, the Deed of Trust, Promissory Note and the CC&R's (as those terms are defined below) to, respectively, secure repayment of the Loan by Borrower as provided herein and to ensure that the affordability and habitability of the Project is maintained in accordance with the terms of those instruments and this Agreement.

F. WHEREAS, the Commission desires to make the Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

L O A N A G R E E M E N T

1.0 CDBG LOAN

Commission agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to make the Loan to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY NOTE; LOAN REPAYMENT.

2.1 Note.

As one of the conditions to assumption of the Loan to Borrower under Section 6 below, Borrower shall execute a Promissory Note (the "Note") in the form of Exhibit "C" attached hereto, which Note sets forth terms and conditions for the repayment of the Loan. The Note shall be secured by the Deed of Trust as provided below.

2.2 Basic Interest.

The disbursed and unpaid principal balance and accrued but unpaid interest of the Loan shall bear interest commencing on the date on which such Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a three hundred sixty- (360-) day year. Notwithstanding the foregoing, and without limiting any other remedy of the Commission, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("Default Rate").

2.3 Payment Dates and Amounts.

As set forth in greater detail in the Note, Borrower shall repay the Loan, together with accrued interest at the Basic Rate in arrears, in annual installments on the 15th day of March of each calendar year for the previous calendar year, commencing on March 15, 2010. Absent prepayment or acceleration, each of the annual payments due March 15, 2010 through and including March 15, 2064 ("Maturity Date") shall be in an amount equal to a pro rata percentage share of fifteen and eighty-four hundreds percent (15.84%) of "Residual Receipts" (as defined in the Note) for the prior calendar year. The balance of the Residual Receipts shall be allocated as follows: Borrower – fifty percent (50.0%), City of Santa Clarita – twenty-seven and twenty-three hundreds percent (27.23%) and the CalHFA HAT six and ninety-three hundreds percent (6.93%). Residual Receipts shall be calculated and reported to Commission annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by Commission from time to time. All calculations and records are subject to audit by Commission. Notwithstanding any other provision of the Note or this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the Maturity Date.

The term of this Agreement (the "Term") shall be from the date of this Agreement through and including the Maturity Date; provided, however, that the use restrictions in Section 10 and the nondiscrimination covenants in Section 11 shall extend beyond the Term as provided in those sections.

2.4 Payments Due on Transfer or Refinance.

In addition to the payments provided in Section 2.3 above, and subject to the terms of the Senior Financing, Borrower shall pay to Commission towards (but not to exceed) any outstanding amounts associated with the Loan, the "Applicable Percentage" of "Net Proceeds" of an "Assignment"; and fifty percent (50%) of "Net Refinancing Proceeds" received from a "Refinancing", as such terms are defined in the Note.

3.0 ACCELERATION.

Notwithstanding the payment terms set forth in Section 2 above, upon the occurrence of any "Event of Default" as set forth in Section 15 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Commission and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

4.0 PREPAYMENT; APPLICATION OF PAYMENTS.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty.

Borrower hereby agrees and understands that the prepayment of the Note shall not relieve Borrower of the duty to comply with the covenants described in Sections 9, 10, and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under the Note or this Agreement, then toward outstanding interest accrued at the "Default Rate" of ten percent (10%) per annum (simple interest), if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the Note.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the Loan and any associated interest and other amounts payable under this Agreement or the Note shall, at all times during which any amount remains outstanding, be secured by the Deed of Trust ("Deed of Trust"), in the form of Exhibit "D" attached hereto, recorded against Borrower's interest in the Site and the Project (collectively, the "Property").

The security interest in the Property granted to Commission pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by Commission.

Except to the extent any Event of Default hereunder results directly or indirectly from any willful misconduct, fraud or intentional and misrepresentation by Borrower in connection with this Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and in the event of the occurrence of an Event of Default, Commission's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Commission as security for repayment of the Loan such that neither Borrower nor any partner of Borrower shall

have personal liability for repayment of the Loan.

6.0 ESCROW; CONDITIONS TO FUNDING THE CDBG LOAN.

6.1 Except to the extent Commission's Executive Director directs in writing that some or all of the disbursement and/or deliveries shall occur outside of Escrow, disbursement of the Loan proceeds in accordance with this Agreement, delivery of the executed Note to Commission, and recordation of the Deed of Trust and other Loan Documents (as defined in Section 6.2 below) to be recorded shall be carried out through an escrow account ("Escrow") to be established by the Parties with a title or escrow company ("Escrow Holder") specifically approved in writing for this transaction by Commission. Borrower shall obtain Commission's approval of an Escrow Holder and open Escrow not later than thirty (30) days following execution of this Agreement. The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be paid exclusively by Borrower.

6.2 The obligation of Commission to make disbursements of Loan proceeds under this Agreement shall be expressly subject to satisfaction of all of the following conditions (collectively, the "Closing Conditions") on or before the date ("Closing Deadline") which is ninety (90) days following the date of this Agreement:

(a) The execution of this Agreement by the Commission and Borrower, and delivery of a fully-executed copy to Escrow Holder;

(b) Borrower's due execution and deposit into Escrow of the Note;

(c) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the covenants, conditions and restrictions ("CC&R's") in the form attached hereto as Exhibit "E";

(d) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the Deed of Trust;

(e) Receipt by the Commission from Borrower of such other documents, certifications and authorizations as are reasonably required by the Commission, in form and substance satisfactory to the Commission, evidencing that (i) this Agreement, the Note, the Deed of Trust, the CC&R's and all other documents given or executed in connection herewith (collectively with this Agreement, the Note, the Deed of Trust and the CC&R's, the "Loan Documents") are duly and validly executed by Borrower and constitute the valid and enforceable obligation of Borrower pursuant to the respective terms, and (ii) the execution and delivery of the Loan Documents, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation to which Borrower is subject nor constitute a breach of or default under any instrument or agreement to which Borrower may be a party;

(f) First American Title, North American Title, Chicago Title, Stewart Title, Land America Title Company or another title company approved by the Commission ("Title Company") shall have assured the Commission in writing that upon recordation of the Deed of Trust there will be provided to the Commission, at Borrower's sole expense, an ALTA Loan Extended Coverage Policy, with customary endorsements, including but not limited to Nos. 100, 103.7, 110.9, 116 and

such other endorsements as the Commission shall reasonably require, issued by the Title Insurance Company in the amount of the Loan, insuring the Commission's interest in the Property as beneficiary under the Deed of Trust, and specifically insuring that the lien of the Deed of Trust and the CC&R's against the Property are subject only to the Senior Financing and any exceptions to title applicable to the Property which were expressly approved in writing by the Commission (collectively with the Senior Financing, "Permitted Senior Encumbrances");

(g) Borrower, the Commission, and any lender, creditor or lienholder with respect to the Junior Financing and Other Financing which is of record in the Los Angeles County Recorder's office (if applicable) have each duly executed (with notary acknowledgment) and deposited into Escrow for recordation at the Close of Escrow a subordination agreement ("Subordination Agreement") in the form attached hereto as Exhibit "___", confirming the senior lien priority of the Commission's Deed of Trust;

(h) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to the Senior Financing, Other Financing, or Junior Financing, and Borrower has demonstrated to the satisfaction of the Commission Executive Director (or his designee) that all financing sources for new construction or rehabilitation and operation of the Project, including but not limited to Borrower's equity, are or will be available in sufficient amounts to provide for full and timely completion and ongoing operation of the Project;

(i) Borrower shall have commenced or be ready to commence Project construction, and shall have furnished Commission with copies of (A) a contract for the Project development ("Construction Contract") entered into with a general contractor ("General Contractor") previously approved in writing by Commission; (B) a payment bond with respect to the Project posted by the General Contractor which is in the amount of the contract price identified in the Construction Contract, is issued by a surety reasonably acceptable to Commission, is in form and content reasonably approved by Commission and names Commission as an additional obligee; and (C) a performance bond for 100 percent (100%) of the contract price, guaranteeing the completion of the Project development which is in form and content reasonably approved by Commission, is issued by a surety reasonably acceptable to Commission, and names Commission as an additional obligee; and (D) shall have completed the Commission Design Review Process in accordance with Exhibit "___"; and (E) any other plans, documents and approvals by the Commission required under Exhibit "___" to this Agreement, entitled "Construction Requirements." Not as a Closing Condition, but as a covenant of Borrower, Borrower shall cause the Project construction work to commence promptly, proceed diligently, and be fully completed as represented in Borrower's approved funding application to Commission, free of mechanics liens, and with a certificate of occupancy from the applicable jurisdiction issued no later than twelve (12) months following the Close of Escrow;

(j) Borrower shall have furnished Commission and obtained Commission's approval of all soils, geologic reports and other development related reports existing with respect to the Site. Borrower hereby acknowledges that Commission's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of Commission, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter;

(k) if applicable, Borrower shall have furnished Commission and obtained Commission's approval of the compliance with the environmental mitigation measures specified in the "Environmental Conditions" referenced in Section 9.14 and Exhibit "___" below. Borrower hereby acknowledges that Commission's review and approval of such compliance with environmental mitigation measures under this Agreement is solely for the benefit of the

Commission, and should not be relied upon as any measurers or warranty of the correctness, adequacy or appropriateness of such matter.

(l) Borrower shall have obtained Commission's written approval of a supplemental instruction to Escrow Holder specifying the applicable payees and uses of Loan proceeds when disbursed by Escrow Holder for the account of Borrower pursuant to this Agreement.

(m) Borrower shall have furnished Commission with a certification from the holders of any of the Senior Financing certifying that such holders consent to the Loan and that Borrower is not in default under any loan comprised within the Senior Financing.

(n) Borrower shall have furnished Commission with evidence satisfactory to Commission evidencing the coverages required by Section 9.8 below. Borrower shall also provide evidence that the Borrower's General Contractor has insurance coverage as required in Exhibit "____."

(o) Borrower shall have provided to the Commission, in form satisfactory to the Commission, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws has not been amended or modified except as described in the certification (ii) a good standing certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing, and (iii) all other documents necessary to evidence to the Commission's satisfaction that the individuals and entities executing this Agreement and the Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower, to the terms hereof and thereof;

(p) Borrower shall have furnished and obtained the Commission's approval of a Management Plan for the Project. The Management Plan shall include the Commission-approved "Operating Budget" included within Exhibit _____ to this Agreement. In the event the Operating Budget is proposed for revision, any such revision must be submitted to the Commission no later than ninety (90) days prior to occupancy of the Project and shall be approved by the Commission at its sole discretion.

6.3 When, and only when, Escrow Holder has confirmed that all of the Closing Conditions (a), (b), (c), (d), (f), and (g) of Section 6.2 above have been satisfied, and has received written certification from the Commission's Executive Director that all other Closing Conditions have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("Close of Escrow") by:

(i) causing the Deed of Trust, the CC&R's and the executed Subordination Agreements (if any) to be recorded in the Official Records of Los Angeles County, California;

(ii) delivering the executed original Note to the Commission;

(iii) causing the Title Policy to be issued to the Commission in the form and amount specified above; and

(iv) promptly following recordation, delivering conformed copies of the recorded documents to the Commission and Borrower.

6.4 The Close of Escrow shall not occur prior to satisfaction of all conditions precedent to the closings for the Senior Financing and the Junior Financing. Notwithstanding any other provision, Escrow Holder shall disburse proceeds of the Loan prior to the closings for the Senior Financing and the Junior Financing only if expressly directed by written instructions from the Commission.

6.5 Time is of the essence with respect to the rights and obligations of the Parties under this Agreement and if the Close of Escrow does not occur prior to the Closing Deadline, then the Escrow shall terminate, and Escrow Holder shall promptly return all funds and documents to the Party depositing them.

7.0 SUPPORTIVE SERVICES

As an additional condition to obtaining the Loan, Borrower agrees to provide throughout the Term services as referenced in the approved CDBG Fund Application and its amendments, as set forth in the form attached hereto as Exhibit " ".

As more particularly provided therein, Exhibit " " sets forth Borrower's obligation to provide supportive services for residents of the Project. Failure to comply with the terms of Exhibit " " prior to expiration of any applicable notice and cure period will be deemed to be a default under this Agreement.

8.0 PURPOSE OF CDBG LOAN, CONDITIONS TO ASSUMPTION AND CONVERSION TO PERMANENT FINANCING.

8.1 The Loan proceeds shall be used by Borrower only to provide acquisition and permanent financing in connection with the Project. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement.

8.2 The Loan shall be considered permanent financing at such time as the Project is completed. The Project shall be "completed," when Completion of the Project has been achieved, subject to the Commission review and approval as defined in Section 9.12 below.

9.0 COVENANTS OF BORROWER.

As additional consideration for the making of the Loan by Commission, Borrower covenants as follows:

9.1 Compliance with Laws.

Borrower shall comply with all Applicable Governmental Restrictions. As used herein, "Applicable Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or rehabilitation or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the National Environmental Policy Act of 1969, as amended; the laws specified in Section 12, below; fair housing laws, prevailing wage laws (e.g. California Labor Code Section 1720 et seq., and Davis-Bacon Act 40 U.S.C. 276a), and any other applicable federal, state and local law. Borrower shall indemnify, defend and hold the Commission harmless for any suit, cost, attorneys' fees, claim,

administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid in connection with the Project. Borrower is solely responsible for determining the applicability of laws, and should not rely on statements by the Commission.

9.2 Revenue Disclosures.

Borrower shall make available for inspection and audit to Commission's representatives, upon seventy-two (72) hours written request from time to time during the Term at Borrower's offices, or, if requested by Commission, at another location within Los Angeles County, all of the books and records relating to the operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the end of the Term; provided that in the event any litigation, claim or audit is started before the expiration of the Term, said books and records shall be retained until all litigation, claims, or audit findings involving said books and records shall have been resolved.

9.3 Other Reports.

Upon seventy-two (72) hours written notice, at any time during the Term, Borrower shall prepare and submit to Commission, any financial, program progress, monitoring, evaluation or other reports including but not limited to, documents related to construction, reasonably required by Commission or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to Commission within such seventy two (72) hour period, then within a reasonable time thereafter. Borrower will ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of Commission representatives, may be relevant to a question of compliance with this Agreement, CC&R's, or the Deed of Trust. Borrower shall retain all existing records and data relating to the Project until expiration of the Term. In the event any litigation, claims or audit is started during the Term, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

9.4 Single-Asset Audit.

Borrower will be required to submit in a timely manner, a single-asset audit on a yearly basis during the Term of the Agreement. Audits are to be prepared by an Independent Certified Public Account and to be conducted in accordance with Generally Accepted Auditing Standards. The Single Asset Audits are completed to cover a 12-month period.

9.5 Financial Statements; Tax Returns.

Borrower shall deliver to the Commission within one hundred twenty (120) days after the end of each fiscal year of Borrower occurring during the term of the Loan, a copy of its federal tax return and a financial statement for such preceding fiscal year. In addition, concurrent with Borrower's payment of the annual Residual Receipts installment payable to the Commission on each March 15th in accordance with Section ____ above, Borrower shall deliver to the Commission, on forms prepared and provided by the Commission from time to time, a statement certified by Borrower's accountant (the "Annual Statement"), separately setting forth (i) the aggregate Gross Rents (as defined in the Note) received during the previous calendar year, and (ii) the aggregate Operating Expenses (as defined in the Note) expended during the previous calendar year.

A copy of the annual financial statements of Borrower required by HUD shall be furnished to the Commission and shall satisfy the forgoing requirement of this section.

9.6 Indemnification.

The Housing Authority of the County of Los Angeles and the Commission are hereinafter collectively referred to as "Public Agencies." In the event that Borrower is not acting as a Design Professional, Borrower agrees to indemnify, defend and save harmless the Public Agencies, and their elected and appointed officials, officers, representatives, employees, and agents (hereinafter collectively referred to as "Agents"), from and against any and all liability, demands, damages, claims, causes of action, fees (including reasonable attorney's fees and costs and expert witness fees), and expenses, including, but not limited to, claims for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), that arise out of, pertain to, or relate to this Agreement, the services and/or materials provided pursuant to this Agreement, the Property, or Project. Borrower shall not be required to indemnify, defend, and save harmless the Public Agencies and its Agents from any Liabilities that arise from the active negligence, sole negligence or willful misconduct of the Public Agencies, Agents, servants, or independent contractors who are directly responsible to the Public Agencies. Such indemnification language shall also be incorporated in Borrower's contracts with any general contractors and subcontractors in favor of the Public Agencies.

In the event that Borrower is acting as a Design Professional, Borrower agrees to indemnify, defend and save harmless the Public Agencies and their Agents from and against any and all Liabilities that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Borrower. Such indemnification language, in favor of the Public Agencies, shall also be incorporated in Borrower's contracts with any Design Professionals in favor of the Public Agencies.

These indemnification provisions shall remain in full force and effect and survive the cancellation, termination and/or expiration of this Agreement. Borrower agrees to require any entities with which it contracts to agree to and abide by the above mentioned indemnification requirements in favor of the Public Agencies, as applicable to each of them.

9.7 Audit by State and Federal Agencies.

In the event this Agreement or the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Borrower shall comply with such inspections and pay on behalf of itself and Commission the full amount of the cost to the inspecting agency which results from such inspections, if any unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Commission.

9.8 Program Evaluation and Review.

Borrower shall allow Commission authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interview of Borrower's staff, Borrowers, and other program participants, as reasonably required by Commission during the Term.

9.9 Hazardous Materials.

Borrower represents and warrants that it has not deposited Hazardous Materials (as defined below) in, on or upon the Site and Borrower covenants that it shall not deposit or permit the deposit of Hazardous Materials in, on or upon the Site or the Project. Borrower further covenants to remove or remediate, at its expense (subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Site or the Project as of the date hereof or which are deposited in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in

accordance with the requirements of all Applicable Governmental Restrictions, including, without limitation, all applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary to the normal course of business in the operation of a well-designed housing facility and so long as such materials are used, stored and disposed of in accordance with all Applicable Governmental Restrictions. Except with respect to any claims solely caused by the Commission, Borrower shall indemnify, defend and hold the Commission and its members, directors, agents, officers and employees harmless from and against any Liabilities arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including without limitation any Liabilities arising out of any deposits of Hazardous Materials described in (i) and (ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Site and the Project, as required above. Except with respect to any claims solely caused by the Commission, Borrower hereby releases and forever discharges the Commission and its agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

For purposes of this Agreement, the term "Hazardous Materials" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 9601 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 5101 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

In the event that archeological resources are exposed during Project construction, all earth disturbing work within the Site must be temporarily suspended or redirected until a professional archaeologist has evaluated the nature and significance of the find. After the find has

been appropriately mitigated, work in the area may resume.

9.10 Insurance.

Without limiting Borrower's indemnifications of the Public Agencies provided in this Agreement, Borrower and/or the entities with which Borrower contracts, shall procure and maintain at their own expense the insurance described in this section for the duration of this Agreement, unless otherwise set forth herein. Such insurance shall be secured from carriers admitted in California, or authorized to do business in California. Such carriers shall be in good standing with the California Secretary of State's Office and the California Department of Insurance. Such carriers must be approved by the California Department of Insurance and must be included on the California Department of Insurance List of Eligible Surplus Line Insurers (hereinafter "LESLI"). Such carriers must have a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, concurrent with the execution of this Agreement, deliver to the Public Agencies certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. If original endorsements are not immediately available, such endorsements may be delivered subsequent to the execution of this agreement, but no later than 40 days following execution of this agreement. Borrower shall deliver satisfactory evidence of issuance of property insurance and worker's compensation insurance described below at such time that such exposures are at risk, but in no event later than the Close of Escrow. Borrower shall deliver satisfactory evidence of issuance of Professional Liability Coverage once the Design Professionals are hired for the Project or Borrower begins to provide professional services, whichever comes first. (For purpose of these insurance requirements and indemnity provisions, "Design Professionals" shall include, but not be limited to, the following: architects, structural engineers, civil engineers, geotechnical engineers and environmental consultants.) The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. The Public Agencies reserve the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to the Public Agencies and may provide for such deductibles as may be acceptable to the Public Agencies. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it and/or the entities with which it contracts, will defend, indemnify and hold harmless the Public Agencies, its elected and appointed officers, officials, representatives, employees, and agents in the same manner as they would have been defended, indemnified and held harmless if full coverage under any applicable policy had been in effect. Each such certificate shall stipulate that the Public Agencies are to be given at least thirty (30) days' written notice in advance of any cancellation or any reduction in limit(s) for any policy of insurance required herein. Borrower shall give the Public Agencies immediate notice of any insurance claim or loss which may be covered by insurance. Borrower represents and warrants that the insurance coverage required herein will also be provided by Borrower's general contractors, subcontractors, and Design Professionals, as detailed below. All certificates of insurance and additional insured endorsements shall carry the following identifier:

Santa Clara Terrace
27077 Hidaway Avenue
Santa Clarita, CA, 91351

The aforementioned insurance policies shall be primary insurance with respect to the Public Agencies. The aforementioned insurance policies shall contain a waiver of subrogation for the benefit of the Public Agencies. Failure on the part of Borrower and/or any entities with which Borrower contracts, including, but not limited to any Design Professionals and general contractors, to procure or maintain the insurance coverage required herein shall constitute a material breach of this Agreement pursuant to which the Public Agencies may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole and absolute discretion, and

without waiving such default or limiting the rights or remedies of the Public Agencies, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by the Public Agencies shall be immediately repaid by the Borrower to the Public Agencies upon demand including interest thereon at the Default Rate. In the event of such a breach, the Public Agencies shall have the right, at its sole election, to participate in and control any insurance claim adjustment or dispute with the insurance carrier. Borrower's failure to assert or delay in asserting any claim shall not diminish or impair the Public Agencies' rights against the Borrower or the insurance carrier.

When Borrower is naming the Public Agencies as additional insureds on any of the commercial general liability insurance policies set forth herein, then the additional insured endorsement shall contain language similar to the language contained in ISO form CG 20 10 10 01. When any entity, with which Borrower is contracting, is naming the Public Agencies as additional insureds on any of the commercial general liability insurance policies set forth herein, then the additional insured endorsement shall contain language similar to the language contained in ISO form CG 20 10 11 85.

The following insurance policies shall be maintained by Borrower and any entity with which Borrower contracts for the duration of this Agreement unless otherwise set forth herein:

(1) Commercial General Liability:

a. For projects in which the direct construction costs are projected to be less than \$15,000,000, Commercial General Liability insurance, including coverage for bodily injury, property damage and contractual liability, with a combined single limit not less than One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate), including, but not limited to, products and completed operations coverage. The Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policy. Borrower shall require its general contractor to carry Commercial General Liability insurance of not less than Two Million Dollars (\$2,000,000) for each occurrence (Three Million Dollars (\$3,000,000) General Aggregate), including, but not limited to, products and completed operations protection. Borrower shall further require its general contractor to provide additional insured status for Borrower and Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents, on such policy. Borrower shall also require its general contractor to require that all tiers of the general contractor's subcontractors provide Commercial General Liability insurance of not less than One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate). Borrower shall further require all tiers of its subcontractors shall to provide additional insured status in favor of the Borrower and Public Agencies and their elected and appointed officers, officials, representatives, employees and agents, on such policy.

b. For projects in which the direct construction costs are projected to be greater than \$15,000,000, Commercial General Liability insurance, including coverage for bodily injury, property damage and contractual liability, with a combined single limit not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate), including, but not limited to, products and completed operations coverage. The Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policy. Borrower shall require its general contractor to carry Commercial General Liability insurance of not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate), including, but not limited to, products and completed operations protection. Borrower shall further require its general contractor

to provide additional insured status for Borrower and Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents, on such policy. Borrower shall also require its general contractor to require that all tiers of the general contractor's subcontractors provide Commercial General Liability insurance of not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate). Borrower shall further require all tiers of its subcontractors to provide additional insured status in favor of the Borrower and Public Agencies and their elected and appointed officers, officials, representatives, employees and agents, on such policy.

c. For projects in which the direct construction costs are projected to be greater than \$25,000,000, the Public Agencies may determine at their sole discretion that an increased amount of Commercial General Liability insurance may be required both from the Borrower and the general contractor. This will be determined on a situational basis.

(2) Professional Liability:

a. For projects in which the direct construction costs are projected to be less than \$15,000,000, Borrower shall require that the following professional liability insurance coverage language be incorporated in its contract with any Design Professional with which it contracts for professional services: Design Professional shall maintain professional liability insurance, including, but not limited to, coverage for personal injury, property damage and contractual liability, with a combined single limit not less than One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate). Said insurance shall be maintained for a period of not less than four (4) years after a certificate of occupancy ("COO") has been obtained by Borrower with respect to the Property and Borrower has provided Public Agencies with evidence of such. In the event that Borrower provides any professional services, Borrower shall be required to maintain the professional liability insurance set forth above.

b. For projects in which the direct construction costs are projected to be greater than \$15,000,000, Borrower shall require that the following professional liability insurance coverage language be incorporated in its contract with any Design Professional with which it contracts for professional services: Design Professional shall maintain professional liability insurance, including, but not limited to, coverage for personal injury, property damage and contractual liability, with a combined single limit not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate). Said insurance shall be maintained by Design Professional for a period of not less than four (4) years after a COO has been obtained by Borrower with respect to the Property and Borrower has provided Public Agencies with evidence of such. In the event that Borrower provides any professional services, Borrower shall be required to maintain the professional liability insurance set forth above.

(3) Property Insurance: "Special Form" property insurance coverage, which shall include, without limitation, builders risk insurance and insurance against the perils of fire and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, flood, false work, testing and startup, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements. The amount of the property coverage shall at all times exceed the full replacement value of materials supplied or installed by others and all existing structures, improvements and fixtures on the Property. There shall not be a "co-insurance" clause. If a coinsurance waiver is not commercially available at reasonable rates, Public Agencies may waive this requirement. Said insurance shall be maintained for the duration of this Agreement. The Public Agencies and their elected and appointed officers,

officials, representatives, employees, and agents shall be named as additional insureds on such policy.

(4) Workers' Compensation: Borrower's employees, if any, shall be covered by Workers' Compensation insurance in an amount and in such form as to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits up to One Million Dollars (\$1,000,000) per accident. Borrower shall require that the identical worker's compensation insurance requirements be incorporated into Borrower's contract with any other entities with which it contracts in relation to the Project. Said entities shall maintain the insurance for the duration of this Agreement or the duration of the construction that is the subject of their contracts with Borrower, whichever is greater.

(5) Automobile Liability: Combined single limit automobile liability insurance up to One Million Dollars (\$1,000,000) per accident for bodily injury and property damage, covering owned (if any), non-owned and hired vehicles. Borrower shall require that the identical automobile liability insurance requirements be incorporated into Borrower's contract with any other entities with which it contracts in relation to the Project. Said entities shall maintain the insurance for the duration of this Agreement or the duration of the construction that is the subject of their contracts with Borrower, whichever is greater. The Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policies.

9.11 Other Loans.

Borrower shall comply with all monetary and non-monetary covenants associated with any loan secured by an interest in the Site or the Project, including but not limited to the Senior Financing, the Junior Financing and the Other Financing. Borrower shall provide to Commission a copy of any notice of default within three (3) business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting Commission, to the extent Commission in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by Commission in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan.

9.12 Construction Requirements.

Following the Close of Escrow, Borrower shall cause the Project construction work to commence promptly, proceed diligently, and achieve Completion of the Project within fifteen (15) months of construction commencement, subject to extension for up to an additional twelve (12) months to the extent of force majeure delays beyond Borrower's reasonable control. Borrower further agrees that construction shall commence within thirty-six (36) months of the date of this Agreement. However, if construction does not commence within the noted time period, the Commission has the option, under its sole discretion, to terminate this Agreement.

"Completion of the Project" shall be deemed to have occurred when the Commission has received satisfactory evidence that the Project has been completed in compliance with this Agreement and as represented in Borrower's approved funding application to the Commission, and that all final permits and certificates necessary to the operation of the Project as contemplated herein have been obtained, including, without limitation, the following, each of which is subject to the Commission's review and approval:

- (1) a signed certificate from the general contractor, in a form reasonably acceptable to the Commission, certifying to the Commission that construction was completed substantially in accordance with the requirements of the plans and this Agreement, and all other related

on-site and off-site improvements have been completed;

(2) a certificate of occupancy **and/or** other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies;

(3) unconditional waivers and releases upon final payment, in statutory form, showing no amounts in dispute, have been received from the General Contractor, all subcontractors, and all other persons or entities providing services or furnishing materials in connection with the Project; and

(4) evidence satisfactory to the Commission that the statutory period for the filing of mechanics' liens (sixty (60) days following filing of the statutory notice of completion) has expired and the Property is free from such liens.

Construction shall proceed in accordance with Exhibit N, Construction Requirements, and shall conform to the layout and design represented in Borrower's approved application for the Industry Fund Program.

9.13 Relocation Requirements.

If applicable, Borrower shall be responsible for assuring compliance with all relocation requirements as governed by:

(1) Federal relocation laws and regulations for projects funded in whole or in part with HOME, including the Federal Uniform Relocation Assistance and Real Property Policies Act (42 U.S.A.C. 4601 et seq., as amended), Federal Relocation Regulations (49 CFR Part 24), HUD Relocation Handbook 1378, and the Los Angeles County Community Development Commission's Relocation Policies and Procedures Manual; or

(2) State relocation laws and regulations for projects funded in whole or in part with Industry Funds, including the California Relocation Assistance Law (California Government Code Section 7260 et seq.), Section 33410 et seq. of the California Health and Safety Code, the State Department of Housing and Community Development's implementing regulations known as the California Relocation Assistance and Property acquisition Guidelines (Title 25, California Code of Regulations, Section 6000 et seq.) and the Commission's Relocation Policies and Procedures Manual.

In circumstances where both federal and state funds are contributed to a program or Project, it is the policy of the County to follow the requirements that provide the displaced person or household with the greatest benefit. For example, if in a mixed-funded project, the assistance or benefit under state law is more favorable to the displaced person or household, then the state law applies, and if the opposite is the case, then applicable federal laws and regulations (California Relocation Assistance Law, etc.) shall apply. Any relocation assistance shall be provided through and in the manner directed by the Commission, provided, however, that Borrower shall indemnify, defend and hold harmless the Public Agencies for relocation payments, consulting fees and expenses incurred in connection with the Project. At the Commission's election in the Commission's sole discretion, the Commission may hire a relocation consultant to coordinate the relocation. The fees and costs of the consultant shall be paid or reimbursed by Borrower.

9.14 Environmental Conditions.

Borrower shall comply with any National Environmental Policy Act ("NEPA") or

CEQA mitigation measures or other environmental conditions imposed by Commission or any other applicable governmental authority in connection with the Project, attached hereto as Exhibit "M".

9.15 Design Standards.

Borrower agrees that projects determined to be eligible for a loan of CDBG Funds are required to utilize the Commission's Design Guidelines and participate in the Commission's Design Review Process. The Borrower agrees to conform to the Process and timelines as required by the Commission as set forth in Exhibit "R".

Borrower agrees that In the event the Design Review Process is completed prior to completion or execution of this Agreement, the approved construction plans and specifications are to be referenced by name, date of approval and page numbers.

Furthermore, Borrower agrees that if significant changes are made to a Commission approved design during the design or construction phases, Commission may elect to reduce or rescind the loan commitment or reduce the Developer fee.

9.16 Deferred Developer Fee.

Borrower agrees to make payments towards the Deferred Developer Fee according to the terms and conditions in Section 1.2.2 of the Note.

9.17 Welfare Exemption.

Borrower hereby covenants on behalf of itself, and its successors and assignees, that it will take all actions necessary to obtain a welfare exemption for the Project within twelve (12) months of receipt of a Certificate of Occupancy.

10.0 USE OF PROPERTY; LEASING AND MANAGEMENT.

The Project is presently occupied and includes tenants with income exceeding the limitations outlined in Section 10.2 below. Those tenants whose income exceed the Section 10.2 limits will be relocated.

10.1 Required Submittals - Pre-Occupancy and Tenant Selection.

(a) At least ninety (90) days prior to post-rehabilitation occupancy and before the acceptance of tenant applications, Borrower shall have obtained the Commission's written approval of an affirmative marketing plan, leasing guidelines, and a summary of the rules, procedures and programs for the Project, including, specifically, the procedures to be employed by which the tenants of the Assisted Units (as defined in Section _____) in the Project shall be selected in the event that, at any given time, the number of Eligible Households applying to lease units at the Project exceeds the number of units available.

The documentation contemplated herein will address the handling of all existing tenants in accordance with all applicable laws.

The affirmative marketing plan shall include Borrower's agreement to utilize the internet-based Los Angeles County Housing Resource Center (the "Housing Resource Center") at <http://housing.lacounty.gov> to advertise unit availability for non-special needs units, as outlined in section (b)(i) and (b)(ii) below.

(b) Housing Resource Center.

(i) Initial Lease-Up of Project: Borrower agrees to advertise all available non-special needs units and open waiting lists, and further agrees to register the Project and allow referrals from the Housing Resource Center at least thirty (30) days prior to leasing or at the same time the general public is allowed to apply for units, whichever comes sooner. Borrower will provide proof of Project registration in a format acceptable to the Commission.

(ii) Future Unit Availability at the Project: During the Term of this Agreement, Borrower will utilize the Housing Resource Center anytime the Project has a vacancy or open waiting list.

(iii) Other Properties Owned by Borrower: Borrower further agrees to register all non-special needs properties located in Los Angeles County and advertise all available non-special needs units and open waiting lists on the Housing Resource Center for rental property in which:

- a. Borrower or any of its general partners has any ownership interest, and
- b. The Public Agencies have provided any financing or the rental property has received a density bonus or any other public incentive from the County.

Borrower will comply with the requirement in this subsection 12.1(b)(iii) and submit evidence of compliance, acceptable to the Commission, within three (3) months of the date of this Agreement. Compliance waivers for any properties meeting criteria "a" and "b" in this subsection 12.1(b)(iii), may be submitted to the Commission for review and approval at the Commission's sole discretion.

10.2 Limitation on Tenants.

Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Borrower, that, throughout the Fifty-Five (55) year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project as a residential development with the defined number of dwelling units and, with respect to the units designated to be assisted as consideration for the Loan ("Assisted Units"), Sixty-Six (66) Assisted Units shall be in accordance with the tenant income levels specified in this Agreement. (The Assisted Units are exclusive of One (1) manager's unit.)

All Assisted Units shall be rented only at an Affordable Housing Cost to Sixty Percent Income Households or Very Low-Income Households as hereinafter defined (households meeting the applicable criteria are occasionally referred to as "Eligible Households" and persons within any group occasionally referred to as "Eligible Person" or "Eligible Persons").

"Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed the qualifying limits for lower income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, which qualifying limits are otherwise set forth in Section 6932 of the California Code of Regulations and are equivalent to eighty percent (80%) of Area Median Income, adjusted for family size and other adjustment factors by the United States Department of Housing and Urban Development (HUD).

"Sixty Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed sixty percent (60%) of Area Median Income.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty percent (50%) of Area Median Income.

"Affordable Housing Cost" shall mean, as to each Eligible Person, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for a Sixty Percent Income Household, the product of thirty percent (30%) times sixty percent (60%) of Area Median Income; and

(ii) for a Very Low-Income Household, the product of thirty percent (30%) times fifty percent (50%) of Area Median Income.

"Area Median Income" shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such Area Median Income.

Borrower shall specifically provide in each Assisted Unit lease and shall strictly enforce the requirement that each Assisted Unit be occupied at all times by the eligible household who has leased that Assisted Unit, and that any other occupant of the unit be another qualified member of the lessee's household. The Commission shall be identified as a third party beneficiary of that covenant and shall have the right to directly enforce that restriction in the event Borrower fails to do so. Prior to execution of any Assisted Unit lease with respect to the Project, Borrower shall submit to the Commission and obtain its written approval of a standard form occupancy lease and Borrower shall thereafter use the approved form for all leases of Assisted Units in the Project, with only such further modifications thereto as are first submitted to and approved in writing by the Commission.

10.3 Tenant Selection Process; Reports and Records Concerning Tenancies.

Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by Commission to monitor compliance with the tenancing requirements described in Section 10.1 above, including without limitation the requirement that Borrower deliver reports to Commission commencing at the close of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the Borrower and the amount of rent payable by each tenant. Borrower shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such Borrower as may be reasonably required by Commission to certify such Borrower's qualification for occupancy of the Project. Borrower's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.4 Management of Project.

Subject to the terms and conditions contained herein below, Borrower shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("Manager") with respect to the operation of the Project including day-to-day administration, maintenance and repair. Borrower shall, before execution or any subsequent amendment or replacement thereof, submit and obtain Commission's written approval of a management contract ("Management Contract") entered into between Borrower and

an entity ("Management Entity") acceptable to Commission. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of Commission. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Borrower and Commission. Borrower shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding sixty (60) days from Management Entity's receipt of notice of the failure from Borrower or Commission. Borrower's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.5 Operations and Maintenance.

Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Borrower, that Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the CC&Rs and the Deed of Trust.

Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Borrower, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any Applicable Governmental Restrictions or the restrictions contained in this Agreement or the Deed of Trust. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Site or the Project, or any portion thereof.

Borrower shall, at its expense, (i) maintain all improvements and landscaping on the Site in good working order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project (which must be approved by the Commission before being incorporated into the Construction Contract) (such approved plans, the "Plans") and all Applicable Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with Applicable Governmental Restrictions so as to maintain a safe and attractive living environment for Project residents while maximizing Residual Receipts to the extent reasonably possible consistent with applicable rent and tenant requirements (including all recorded rent restrictions affecting the Project) and without compromising the safety and attractiveness of the living environment of the Project.

11.0 BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION.

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex or sexual orientation, marital status, age, medical condition, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Borrower itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Borrowers, lessees, subBorrowers, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

11.1 Form of Nondiscrimination and Nonsegregation Clauses.

Borrower shall refrain from restricting the rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex or sexual orientation, marital status, age, medical condition, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex or sexual orientation, marital status, age, medical condition, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Borrowers, lessees, subBorrowers, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex or sexual orientation, marital status, age, medical condition, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of Borrowers, lessees, sublessees, subBorrowers, or vendees in the land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex or sexual orientation, marital status, age, medical condition, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of Borrowers, lessees, subBorrowers, sublessees, or vendees of the premises."

Nothing in this Section shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

12.0 COMMISSION REQUIREMENTS

Borrower shall comply with the provisions of Exhibit "L" - Commission Requirements.

103.0 INDEPENDENT CONTRACTOR.

In their performance of this Agreement, all parties hereto will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the agents or employees of the other party for any purpose whatsoever, including workers' compensation liability. Borrower shall bear the sole responsibility and liability for furnishing or causing its general contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Borrower pursuant to this Agreement.

14.0 ASSIGNMENT OF THIS AGREEMENT.

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of the Commission or the Commission's Executive Director, which consent may be withheld by the Commission in its sole discretion. Notwithstanding anything to the contrary in this Agreement, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by Commission at its sole discretion including, without limitation, any and all documents deemed necessary by Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) Commission's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's obligations under this Agreement, the Note, and all other Loan Documents.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of the Commission as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Site, or (ii) a sale or transfer of more than forty-nine percent (49%) of its present ownership and/or control in the Site, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the Project, occurring without the written consent of Commission, Commission may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state or federal low income housing tax credits, the Commission hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interest in Borrower to an equity investor; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to its general partners and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as may be amended from time to time, provided that any replacement general partner is approved by Commission, which approval shall not be unreasonably withheld.

115.0 EVENTS OF DEFAULT AND REMEDIES.

15.1 Borrower Events of Default.

The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(a) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within ten (10) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission in writing to Borrower). Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of the Note;

(b) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within thirty (30) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a thirty (30) day period, it shall be deemed cured if Borrower commences the cure within said thirty (30) day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within one hundred eighty (180) days after the notice. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure period shall not apply to any Event of Default described in Sections 0(c) through 0(h) below;

(c) The falsity of any representation or breach of any warranty or covenant made by Borrower under the terms of this Agreement, the Note, or the Deed of Trust;

(d) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner, or majority shareholder, of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following initial Completion of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Agreement for a continuous period of more than sixty (60) days;

(g) Borrower shall suffer or attempt to effect a Transfer (as defined below) in violation of Section **Error! Reference source not found.** or Section **Error! Reference source not found.**; or

(h) Borrower shall be in default under the CC&Rs, the Senior Financing, the Junior Financing, the Other Financing, the Supportive Services Agreement, if any, or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

15.2. Commission Remedies.

Upon the occurrence of an Event of Default hereunder, Commission may, in its sole discretion, take any one or more of the following actions:

(a) By notice to Borrower declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(b) Subject to the nonrecourse provisions of Section 5 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of Commission, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(c) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or the Note, Commission may, but shall not be obligated to, make such payment. If such payment is made by Commission, Borrower shall deposit with Commission, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by Commission shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(d) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15.1(d) or 15.1(e) hereof, Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of Commission and its counsel to protect the interests of Commission and to collect and receive any monies or other property in satisfaction of its claim.

15.3. No Remedy Exclusive.

No remedy herein conferred upon or reserved to Commission is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now existing at law or hereafter in equity or by statute; and may be exercised in such number, at such times and in such order as Commission may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by Commission. In order to entitle Commission to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

15.4. Commission Default and Borrower Remedies.

Upon fault or failure of Commission to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

- (a) Demand and obtain payment from Commission of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;
- (b) Bring an action in equitable relief seeking the specific performance by Commission of the terms and conditions of this Agreement or seeking to enjoin any act by Commission which is prohibited hereunder; and
- (c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek indirect or consequential damages of any kind or nature from Commission arising out of or in connection with this Agreement, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

16.0 RESERVED

17.0 RIGHT OF ACCESS AND INSPECTION.

Commission shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If Commission in its reasonable discretion determines that the project is not being operated in conformity with this Agreement, or any applicable Governmental Restrictions, Commission may at its election, after notice to and consultation with the Borrower and affording the Borrower thirty (30) days after such notice to cure the matter (provided, however, that if such matter cannot be cured within a thirty (30)-day period, it shall be deemed cured if Borrower commences the cure within said thirty (30)-day period and diligently prosecutes such cure to completion thereafter) and the Borrower fails to cure the matter, itself cure the matter. Inspection by Commission of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by Commission that there has been compliance

with any terms or provisions of this Agreement.

18.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY.

No official or employee of Commission shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of Commission participate in any decision relating to this Agreement which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of Commission shall be personally liable in the event of a breach of this Agreement by Commission.

19.0 AMENDMENTS, CHANGES AND MODIFICATIONS.

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

20.0 EXECUTION OF COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

121.0 NOTICES.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and addressed or faxed as follows:

If to Commission: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8584

With a copy to: Community Development Commission of the County of Los Angeles

Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8586

If to Borrower: Mercy Housing California XLIII, L.P.
address
city, state zip
Attn: _____
Fax No. _____

With a copy to: XXXXX

Notices shall be effective upon receipt, if given by personal delivery; upon receipt if faxed, provided there is a written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail; or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; or (iii) one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address or fax to which notice shall be sent pursuant to this Agreement.

22.0 SEVERABILITY.

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

133.0 INTERPRETATION.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable legal limit. Attached hereto for the convenience of the Parties as Exhibit "A" is a directory indicating the location of definitions for certain defined terms used in this Agreement.

24.0 NO WAIVER; CONSENTS.

Any waiver by Commission must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by Commission to take action on account of any default of Borrower. Consent by Commission to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Commission's consent to be obtained in any future or other instance.

145.0 APPLICABLE POLICIES.

A. Governing Law

This Agreement shall be governed by the laws of the State of California.

B. Compliance with Laws.

Borrower agrees to be bound by applicable federal, state, and local laws, regulations and directives as they pertain to the performance of the Agreement. This Agreement is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and the 24 Code of Federal Regulations (CFR) Part 85

C. CDBG Program and Federal Requirements.

In addition to any other obligations of the Borrower to this Agreement, the Borrower agrees to comply with all of the CDBG Program Requirements, a summary of which is included as Exhibit "K".

26.0 REPRESENTATIONS AND WARRANTIES OF BORROWER.

Borrower hereby warrants and represents to Commission that:

A. Organization and Standing.

Borrower is a legal entity as described in the Transaction Summary above, duly organized, qualified to operate in California and validly existing and in good standing in the State of California and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the Deed of Trust, the CC&R's, and all other documents executed in connection herewith.

B. Enforceability.

This Agreement, the Note, the Deed of Trust, the CC&R's, and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents.

The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, or articles and bylaws governing Borrower, and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution.

This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses.

Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance.

There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to Commission) which could materially impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Agreement.

G. Default.

There are no facts now in existence which would, with the giving of notice or the

lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 15.

H. No Violations.

The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

I. No Affiliation With Lenders.

Borrower is not under common ownership or is otherwise affiliated with any lender extending any Project Loan (as defined in the Note).

J. Attachments / Exhibits.

The Exhibits listed in the Table of Exhibits, which follows the signature page of this Agreement, are attached to this Agreement and, by this reference, made a part hereof.

27.0 APPROVALS.

Any consent to a transfer under Section 14 or 29 of this Agreement, and any other consent or approval by the Commission under this Agreement or any of the Loan Documents, may be given by the Commission's Executive Director without action of the Commission's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to the Commission's governing board.

Except with respect to those matters set forth hereinabove providing for the Commission's approval, consent or determination to be at the Commission's "sole discretion" or "sole and absolute discretion," the Commission hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Commission hereunder. The Commission agrees to give Borrower written notice of its approval or disapproval following submission of items to the Commission for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any review or approval of any matter by the Commission or any Commission official or employee under this Agreement shall be solely for the benefit of the Commission, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not the Commission shall be solely responsible for assuring compliance with laws, and the operation of the project.

158.0 GOOD FAITH AND FAIR DEALING.

Commission and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

169.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT.

29.1 Without the prior written approval of the Commission (or the Commission's Executive Director), which approval the Commission may withhold in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Site or the Project (excluding Borrower leases pursuant to the terms hereof), (ii) permit the Transfer of greater than forty-nine percent (49%) of its ownership and/or

control in the Site, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, Commission hereby consents to the events described in the last paragraph of Section 14.0 hereof, if applicable, without Borrower obtaining any further consent from Commission. Borrower hereby agrees that any purported Transfer not approved by Commission as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement.

29.2 At any time Borrower desires to effect a Transfer hereunder, Borrower shall notify Commission in writing (the "Transfer Notice") and shall submit to Commission for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower and the proposed transferee to Commission sufficient to establish and insure that all requirements of this Section 29 have been and will be met. No Transfer Documents shall be approved by Commission unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the Loan Documents. The Transfer Notice shall include a request that Commission consent to the proposed Transfer. Commission agrees to make its decision on Borrower's request for consent to such Transfer as promptly as possible, and, in any event, not later than thirty (30) days after Commission receives the last of the items required by this Section 29. In the event Commission consents to a proposed Transfer, then such Transfer shall not be effective unless and until Commission receives copies of all executed and binding Transfer Documents, which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to Commission. From and after the effective date of any such Transfer, Borrower shall be released from its obligations under the Loan Documents accruing subsequent to such effective date.

29.3 Notwithstanding anything in this Agreement, Borrower agrees that it shall not be permitted to make any Transfer, whether or not Commission consent is required therefore and even if Commission has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to Commission or at any time thereafter until such Transfer is to be effective.

29.4 The provisions of this Section 29 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

30.0 ACCESS AND RETENTION OF RECORDS.

Borrower shall provide access to the Commission, the Federal Grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers and records of the Borrower which are directly pertinent to this Agreement for the purpose of making audits, examinations, excerpts and transcriptions.

The Borrower is required to retain the aforementioned records for a period of five years after the Commission pays the final payment and other pending matters are closed under this Agreement. Records described in Section 10.2 concerning tenancies shall be retained for at least five (5) years after the due date (with extensions) for filing the federal income tax return for that year.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

COMMISSION:

**COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES**

By: _____
WILLIAM K. HUANG, Acting Executive Director

Date: _____

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By: _____
Deputy

Date: _____

BORROWER:

MERCY HOUSING CALIFORNIA XLIII, L.P.
a California limited partnership

By: **Mercy Housing Calwest, L.P.**
a California limited partnership

Its: General Partner

By: _____

Date: _____

TABLE OF EXHIBITS

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Exhibit "U"	CHARITABLE CONTRIBUTIONS CERTIFICATION
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EXHIBIT "A" TO LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Affordable Housing Cost (Section 10.1)	Loan Documents (Section 6.2(e))
Agreement (Preamble)	Low Income Households (Section 10.1)
Annual Statement (Section 9.9)	Management Contract (Section 10.3)
Applicable Governmental Restrictions (Section 9.1)	Management Entity (Section 10.3)
Applicable Percentage (Section 2.4)	Manager (Section 10.3)
Area Medium Income (Section 10.1)	Maturity Date (Section 2.3)
Assignment (Section 2.4)	Net Proceeds (Section 2.4)
Assisted Units (Section 10.1)	Net Refinancing Proceeds (Section 2.4)
Basic Rate (Section 2.2)	Note (Section 2.1)
Borrower (Preamble)	Operating Expenses (Section 9.9)
CC&Rs (Section 6.2(3))	Other Financing (Recital B)
CDBG (Recital A)	Parties (Preamble)
Close of Escrow (Section 6.3)	Party (Preamble)
Closing Conditions (Section 6.2)	Permitted Senior Encumbrances (Section 6.2(f))
Closing Deadline (Section 6.2)	Plans (Section 10.4)
Commission (Preamble)	Project (Recital A)
Completion of the Project (Section 9.11)	Property (Section 5)
Construction Contract (Section 6.2(11))	Refinancing (Section 2.4)
County (Section 9.11)	Residual Receipts (Section 2.3)
Deed of Trust (Section 5)	Senior Financing (Recital B)
Default Rate (Section 2.2)	Site (Recital A)
Eligible Persons (Section 10.1)	Sixty Percent Income Households (Section 10.1)
Escrow (Section 6.1)	Subordination Agreement (Section 6.2(g))
Escrow Holder (Section 6.1)	Term (Section 2.3)
Event of Default (Section 15.1)	Title Company (Section 6.2(f))
General Contractor (Section 6.2(i))	Transfer (Section 29.1)
Gross Rents (Section 9.9)	Transfer Documents (Section 29.2)
Hazardous Materials (Section 9.7)	Transfer Notice (Section 29.2)
Junior Financing (Recital B)	Very Low Income Households (Section 10.1)
Liabilities (Section 9.4)	
Loan (Recital A)	

EXHIBIT "B" TO LOAN AGREEMENT

SITE LEGAL DESCRIPTION

Santa Clara Terrace

Real property in the City of Santa Clarita, County of Los Angeles, State of California, described as follows:

PARCEL 1:

PARCEL 3 OF PARCEL MAP NO. 7836, IN THE CITY OF SANTA CLARITA, AS PER MAP FILED IN BOOK 122 PAGES 97 AND 98 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

PARCEL 2 OF PARCEL MAP NO. 7836, IN THE CITY OF SANTA CLARITA, AS PER MAP FILED IN BOOK 122 PAGES 97 AND 98 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THE NORTHERLY 99.98 FEET THEREOF.

PARCEL 3:

THAT PORTION OF LOT 210 OF TRACT NO. 25927, IN THE CITY OF SANTA CLARITA, AS SHOWN ON MAP FILED IN BOOK 731 PAGES 3 TO 8 INCLUSIVE OF MAPS, IN THE OFFICE OF THE REGISTRAR-RECORDER OF THE COUNTY OF LOS ANGELES, WITHIN THE FOLLOWING DESCRIBED BOUNDARIES:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTH 0° 17' 00" EAST ALONG THE EASTERLY LINE OF SAID LOT TO A LINE PARALLEL WITH AND 21 FEET SOUTHERLY, MEASURED AT A RIGHT ANGLE, FROM THAT COURSE IN THE NORTHERLY BOUNDARY OF SAID LOT SHOWN AS HAVING A BEARING AND LENGTH OF NORTH 89° 56' 00" WEST 352.08 FEET ON SAID MAP; THENCE ALONG SAID PARALLEL LINE NORTH 89° 56' 00" WEST 300.36 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 241.00 FEET WHICH CURVE IS ALSO TANGENT TO A LINE PARALLEL WITH AND 21 FEET SOUTHWESTERLY, MEASURED AT RIGHT ANGLES FROM THAT COURSE IN SAID NORTHERLY BOUNDARY SHOWN AS HAVING A BEARING AND LENGTH OF NORTH 63° 24' 45" WEST 1257.53 FEET ON SAID MAP; THENCE NORTHWESTERLY ALONG SAID CURVE 111.55 FEET; THENCE NORTH 63° 24' 45" WEST 76.12 FEET; THENCE NORTH 26° 35' 15" EAST TO SAID NORTHERLY BOUNDARY TO THE POINT OF BEGINNING.

ALSO EXCEPT THEREFROM A PORTION OF SAID PARCELS 1 AND 2 ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE OF SAID PROPERTY, BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED JUNE 13, 1962 IN BOOK D1647 PAGE 8, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM PORTION OF SAID PARCELS 1 AND 2 IN ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE OF SAID PROPERTY, BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED NOVEMBER 10, 1960 IN BOOK 1031 PAGE 976, OFFICIAL RECORDS.

SAID LAND IS ALSO KNOWN AS LOT 1 OF TRACT NO. 40537, IN THE CITY OF SANTA CLARITA, AS PER MAP RECORDED IN BOOK 1069 PAGES 48 THROUGH 50 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 2803-030-071

EXHIBIT "C" TO LOAN AGREEMENT

PROMISSORY NOTE

EXHIBIT "C" TO LOAN AGREEMENT

CDBG PROMISSORY NOTE

CDBG PROGRAM - PROJECT NO. _____

\$1,600,000

_____, 200____

For value received, the undersigned, **MERCY HOUSING CALIFORNIA XLIII, L.P.**, a California limited partnership ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as the Commission may from time to time designate in writing), the principal sum of **ONE MILLION SIX HUNDRED THOUSAND DOLLARS (\$1,600,000)** (the "Loan"), or such amount as may be assumed hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, __, 200__, entered into between Borrower and the Commission (the "Loan Agreement"), and the terms and conditions of this Promissory Note (this "Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with acquisition and permanent financing in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest. Except as provided in Section 1.4 below, the assumed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts.

1.2.1 Except as otherwise provided in this Note, Borrower shall repay the Loan, together with accrued interest at the Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2010. Absent prepayment or acceleration, each of the annual payments due March 15, 2010 through and including March 15, 2064 ("Maturity Date") shall be in an amount equal to fifteen and eighty-four hundredths percent (15.84%) of "Residual Receipts" for the prior calendar year, as defined herein. The balance of the Residual Receipts shall be allocated as follows: Borrower – fifty percent (50.0%), City of Santa Clarita – twenty-seven and twenty-three hundredths percent (27.23%) and the CalHFA HAT – six and ninety-three hundredths percent (6.93%). Residual Receipts shall be calculated and reported to the Commission annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by the Commission from time to time. All calculations and records are subject to audit by the Commission. Notwithstanding any other provision of this Note, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date.

Notwithstanding anything to the contrary in this Section 1.2, obligations of Borrower accruing or to be performed in any calendar year may be deemed to accrue or be performed in the Borrower's fiscal year, subject to the approval of the Commission's Executive Director, which approval may be withheld in the Executive Director's sole and absolute discretion.

1.2.2 Deferred Developer Fee.

(a) The "Deferred Developer Fee" is defined as the amount of developer fee deferred for payment following Completion of the Project, as defined in the Loan Agreement. The amount of Deferred Developer Fee is shown in the project proforma included as Exhibit ____ to the Loan Agreement. At Completion of the Project, the Deferred Developer Fee is to be adjusted to the actual amount of the developer fee deferred, except that any increases must be reviewed and approved by the Commission.

(b) For the first thirteen (13) years of Project operation, prior to making the annual installment of Residual Receipts to the Commission (as described above), Borrower shall make payments towards the Deferred Developer Fee. At the end of year thirteen (13), if the Deferred Developer Fee has not been paid in full, Borrower will provide for full pay-off of the remaining Deferred Developer Fee balance.

(c) The payment of interest on the Deferred Developer Fee is not allowed.

1.3 Calculation of Residual Receipts. Borrower shall provide to the Commission for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by the Commission for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to the Commission any further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which Gross Rents, as defined herein, for such calendar year exceed the Operating Expenses, as defined herein, for that calendar year. Except that, any rent generated by or expense resulting from the commercial space to be included in the Project shall be excluded from the Residual Receipts calculation.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project,

determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to:

(i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases;

(ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties;

(iii) late charges and interest paid on rentals;

(iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources;

(v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and

(vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases.

The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"):

(aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants);

(bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders;

(cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below;

(dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project; and

(ee) interest earned on all required Project Reserve Accounts.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period:

(i) nonelective payments made with respect to the Senior Financing;

(ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year;

(iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period;

(iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, supportive service coordinator salary as noted in Exhibit K of the Loan Agreement (noted as "social service coordination"), plus annual escalations in amounts approved by the Commission, and license fees and business taxes; provided, however, that (A) the amount included as property management fees in Operating Expenses shall collectively not exceed six percent (6%) of Gross Rents from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fee shall only be paid on the basis of supporting documentation reasonably acceptable to the Commission, and shall be paid after the payment of all other Operating Expenses, (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only be considered Operating Expenses to the extent they do not exceed \$15,000 in the aggregate, plus annual escalations of 3.5%, in any year, and (D) total ownership and operating costs do not exceed industry standards as approved by the Commission;

(v) Replacement Reserve, as defined in Section 1.5.5 of this Note, set aside for replacement of roofing, furniture, fixtures, equipment, and other capital expenditures, in the annual amount noted in Section 1.5.5 of this Note; and

(vi) to the extent not otherwise included in Operating Expenses, amounts paid from any account as a reserve account for the purpose for which such reserve was created so long as such purpose would constitute an Operating Expense.

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length

transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to Completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.5.5 Reserves.

(a) Definitions.

(i) "Operating Reserve" shall equal \$153,300 plus accumulated interest paid on the balance in the Operating Reserve Account (as hereinafter defined) and be set aside for:

- (1) taxes and assessments, as described in Section 1.5.3(ii);
- (2) insurance premiums, as described in Section 1.5.3(iii);
- (3) operation of the Project as may, for reasons other than those described in this Subpart (a)(ii) of this Section 1.5.5, be required in connection with Senior Financing or by an investor limited partner; and
- (4) any other purpose which itself constitutes an Operating Expense.

The Operating Reserve shall be funded from the Loan and/or any of the other project financing sources shown in the Transaction Summary of the Loan Agreement.

(ii) "Replacement Reserve" shall mean funds reserved, in the amount of and as provided for in Section 1.5.3(v), including accumulated interest paid on the balance in the Replacement Reserve Account (as hereinafter defined), and actually set aside for capital expenditures, which reserves shall be in an annual amount equal to the greater of: (a) \$450.00 per unit plus annual escalations of three and one-half percent (3.5%), (b) such higher amount per unit plus escalations, (b) such higher amount per unit as may be required by a tax credit investor or holder of Senior Financing or (c) as established from time to time by mutual agreement of the Parties.

(iii) "Reserve Account" shall mean a separate account for the Operating Reserve ("Operating Reserve Account") and/or Replacement Reserve ("Replacement Reserve Account"), as the case may be (either sometimes referred to as a "Reserve Account"), established with a financial institution or other duly licensed escrow agent mutually acceptable to the Parties ("Escrow Agent").

(iv) "Reserves" shall mean the Operating Reserve and Replacement Reserve, collectively.

(b) Release of Reserves. Reserves shall not be released to Borrower out of the Reserve Account unless and until:

(i) the Borrower has submitted to the Commission:

(A) a written disbursement request ("Disbursement Request") seeking the release of funds out of the Reserve Account for the particular expenditure(s) and with respect to the Reserve Period designated in the applicable Reserve Request previously approved by the Commission;

(B) supporting documentation establishing, in the Commission's sole determination, that but for the release of the funds requested in the Disbursement Request, sufficient funds would not otherwise be available to the Borrower for the designated expenditure(s); and

(ii) the Commission has, in its sole and absolute discretion, approved in writing the Disbursement Request.

(c) Investment of Reserve Account. Funds in any Reserve Account established pursuant to this Section 1.5.5 shall be deposited in a banking institution whose deposits are insured by an agency of the federal government. Borrower may invest funds in a Reserve Account in domestic bank certificates which are insured by an agency of the federal government; in direct obligations of the federal government; in federal government agencies with an AA rating or better; federally guaranteed agencies, or in repurchase agreements which are direct obligations of the federal government or federal agencies; or which are collateralized by federal government obligations; or in short-term commercial paper receiving the highest rating from Moody's or from Standard and Poors. Borrower shall select the investment vehicles and maturities (not to exceed five years) on such investments so as to yield the maximum return, consistent with good business practice, including the need for available cash in the Reserve Account.

(d) Reserves Caps. Borrower shall not, without the Commission's prior written consent, establish or maintain Operating Reserves for the Project in excess of the amount noted in (a)(i) of this Section 1.5.5 plus accumulated interest ("Operating Reserve Cap"). The Operating Reserve Cap may be adjusted at the Commission's discretion based on Property operations.

1.6 In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to the Commission towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower's interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower's estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term "Assignment" as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

"Net Proceeds" of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to the Commission), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a

condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys' fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

"Refinancing" shall mean creation or substantial modification of a loan ("Project Loan") secured by an encumbrance on the Site, the Project, or any portion thereof. The term "Refinancing" shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of the Commission and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then

toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the Note.

4. Security and Source of Payment.

Borrower's obligations under this Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which the Commission is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to the Commission pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by the Commission. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, the Commission's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to the Commission as security for repayment of the Loan.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

The Loan proceeds shall be used by Borrower only to provide acquisition and permanent financing for the housing development described in the Loan Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Note.

7. Covenants of Borrower.

As additional consideration for the making of the Loan by the Commission, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to the Commission a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting the Commission, to the extent the Commission in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by the Commission in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this Note.

This Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of the Commission, which consent may be withheld by the Commission in its sole discretion. Notwithstanding anything to the contrary in this Note, no purported assignment of this Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. The Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by the Commission in its sole discretion, including, without limitation, any and all documents deemed necessary by the Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) the Commission's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this Note and the Loan Agreement and any of the other Loan Documents. With respect to projects funded through an allocation of state and/or federal low income housing tax credits, the Commission has pre-approved certain transfers as provided in the last paragraph of Section 16 of the Loan Agreement.

9. Events of Default and Remedies.

9.1 Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission in writing to Borrower). Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within

said 30-day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or breach of any warranty or covenant made by Borrower under the terms of this Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the rehabilitation of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 31 of the Loan Agreement; or

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

9.2 The Commission Remedies. Upon the occurrence of an Event of Default hereunder, the Commission may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without

further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of the Commission, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this Note or the Loan Agreement, the Commission may, but shall not be obligated to, make such payment. If such payment is made by the Commission, Borrower shall deposit with the Commission, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by the Commission shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note; or

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, the Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of the Commission and its counsel to protect the interests of the Commission and to collect and receive any monies or other property in satisfaction of its claim.

9.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Commission is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as the Commission may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by the Commission. In order to entitle the Commission to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

9.4 Commission Default and Borrower Remedies. Upon fault or failure of the Commission to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from the Commission of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;

(2) Bring an action in equitable relief seeking the specific performance by the Commission of the terms and conditions of this Note or seeking to enjoin any act by the Commission which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from the Commission arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

10. Intentionally Left Blank

11. Conflict of Interest; No Individual Liability.

No official or employee of the Commission shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of the Commission participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the Commission shall be personally liable in the event of a breach of this Note by the Commission.

12. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and faxed or addressed as follows:

If to Commission: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the County of Los Angeles

Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. 323-869-0946

If to Borrower: Mercy Housing California XLIII, L.P.
address
city, state zip
Attn: _____
Fax No. _____

With a copy to: XXXXX

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

14. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provision.

15. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Note by Borrower. Each Party has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

Any waiver by the Commission must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by the Commission to take action on account of any default of Borrower. Consent by the Commission to any act or omission by Borrower will not be construed as consent to any other or subsequent act or omission or to waive the requirement for the Commission's consent to be obtained in any future or other instance.

17. Governing Law.

This Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower.

Borrower hereby represents, warrants and covenants to the Commission that:

18.1 Organization and Standing. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly formed, qualified to operate in California and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this Note, the Loan Agreement, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

18.2 Enforceability. This Note and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

18.3 Authorization and Consents. The execution, delivery and performance of this Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

18.4 Due and Valid Execution. This Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

18.6 Licenses. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

18.6 Litigation and Compliance. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to the Commission) which could impair its ability to perform its obligations under this Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Note.

18.7 Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

18.8 No Violations. The execution and delivery of this Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Except with respect to those matters set forth hereinabove providing for the Commission's approval, consent or determination to be at the Commission's "sole discretion" or "sole and absolute discretion," the Commission hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Commission hereunder. the Commission agrees to give Borrower written notice of its approval or disapproval following submission of items to the Commission for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by the Commission or any the Commission official or employee under this Note shall be solely for the benefit of the Commission, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not the Commission shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 16 or 31 of the Loan Agreement and any other consent or approval by the Commission under this Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by the Commission's Executive Director without action by the Commission's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the Commission's governing board.

20. Good Faith and Fair Dealing.

The Commission and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of the Commission or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which the Commission may have.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written

BORROWER:

MERCY HOUSING CALIFORNIA XLIII, L.P.
a California limited partnership

By: **Mercy Housing Calwest, L.P.**
a California limited partnership

Its: General Partner

By: _____

Date: _____

EXHIBIT "D" TO LOAN AGREEMENT

DEED OF TRUST

EXHIBIT "E" TO LOAN AGREEMENT

DEED OF TRUST
CDBG PROGRAM - PROJECT NO. _____

OFFICIAL BUSINESS

Document entitled to free
recording per Govt. Code Section 6103.

Recording Requested by and
When Recorded Mail To:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755
Attn.: Director of Housing Development and Preservation

Above Space For Recorder's Use Only

DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of _____, 2008, by and between **MERCY HOUSING CALIFORNIA XLIII, L.P.**, a California limited partnership ("Trustor") whose address is _____ ("Trustee") and the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Beneficiary").

R E C I T A L S

A. Beneficiary is making a loan to Trustor in the original principal amount of **ONE MILLION SIX HUNDRED THOUSAND DOLLARS (\$1,600,000)** (the "Loan") pursuant to that certain Loan Agreement (the "Loan Agreement") entered into by Trustor and Beneficiary and dated as of _____, 2008. The Loan is evidenced by a promissory note of even date herewith executed by Trustor (the "Note") in the principal amount of the Loan.

B. Trustor intends to use the Loan proceeds for the purpose of providing acquisition and permanent financing for the housing development described in the Loan Agreement (the "Project"). The Project is developed on a site legally described on Attachment "1" to this Deed of Trust (the "Site").

NOW THEREFORE, in consideration of the Loan, Trustor hereby irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as provided below, all of its present and future estate, right, title and interest in and to the Property, together with all, right, title and interest of Trustor therein and in and to, and grants to Beneficiary a security interest in, the following:

(A) All development rights, air rights, water, water rights, and water stock relating to the Property.

(B) All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.

(C) All appurtenances of the Property and all rights of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Property.

(D) All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.

(E) All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.

(F) All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Trustor and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under Clause (B) above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

(G) All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Trustor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease or rental agreements; (vi) all names under which the Property is now or hereafter operated or known and all rights to carry on business under any such names

or any variant thereof; (vii) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (ix) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (x) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (xi) all funds deposited with Beneficiary by Trustor, and all accounts of Trustor with Beneficiary, including all accounts containing security deposits and prepaid rents paid to Trustor in connection with any leases of the Property, and all proceeds thereof; and (xii) all supplements, modifications and amendments to the foregoing.

(H) All of the right, title and interest of Trustor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

(I) All of the right, title and interest of Trustor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

(J) All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

Trustor does hereby covenant with Trustee and Beneficiary, that Trustor has good right to bargain, sell and convey Trustor's interest in the Property in manner and form as above written; and Trustor warrants and will defend same to Beneficiary, forever, against all lawful claims and demands whatsoever except as stated above.

THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:

- (1) performance of each agreement of Trustor herein contained or incorporated herein by reference, including, without limitation, the covenants, conditions and restrictions ("CC&Rs") recorded against the Property in favor of the Commission, as defined in the CC&Rs;
- (2) payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Note, and any extension or renewal or modification thereof; and
- (3) performance of each agreement of Trustor contained in the Loan Agreement, or any of the "Loan Documents" (as defined therein), and any extension, renewal or modification of such Loan Agreement or any of the Loan Documents.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

1. Payment of Secured Obligations. To pay when due (a) the principal of, and the interest on, the indebtedness evidenced by the Note, (b) charges, fees and all other sums as provided in the Loan Agreement, and (c) the principal of, and interest on, any future advances secured by this Deed of Trust.

2. Maintenance, Repair, Alterations. To keep the Property in good condition and repair; to complete promptly and in a good and workmanlike manner all buildings and other improvements to be constructed on the Property, including specifically all buildings and improvements described in the Loan Agreement, and promptly restore in like manner any structure that may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements thereon; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit, to the extent Trustor is able by the exercise of commercially reasonable best efforts, any act to be done in or upon the Property in violation of any law, ordinance or regulation.

3. Insurance. To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Loan Agreement or the Note. In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the Property, and Trustor hereby assigns all policies and authorizes and empowers Beneficiary, at Beneficiary's option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is no material default (or such existing default will be cured by the proceeds of such insurance) in the observance or performance of any of the covenants and agreements contained herein or in the Note or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may impose.

Trustor hereby fully assigns to Beneficiary all current and future claims it may have under any policy of insurance related to the Property or the Project, regardless of whether such insurance was required to be maintained under the Loan Documents. Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

Further, Beneficiary may at any time in its sole discretion require Trustor to submit satisfactory evidence of insurance policies obtained pursuant to this Paragraph 3 and Trustor's compliance with all the provisions of said policies.

4. Lawsuits. To appear in and defend, or otherwise take such action therein as the Beneficiary and Trustee or either of them may deem advisable with respect to, any action or proceeding affecting the security for the Loan in which Beneficiary or Trustee may appear.

5. Beneficiary Statement. To pay all charges for all court costs and expenses which Beneficiary may elect to advance in order to keep unimpaired, protect, and preserve the title thereto; and to pay for any statement provided for by law in effect at the date hereof regarding the obligations secured hereby, any amount demanded by the Beneficiary not

to exceed the maximum allowed by law at the time when said statement is demanded.

6. Condemnation. That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the Property or the improvements thereon, are, to the extent of trustor's right thereto, hereby assigned to Beneficiary. If (i) Trustor is not in material default hereunder (or such default will be cured with the proceeds from the foregoing), and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is in material default hereunder (and such default will not be cured with the proceeds of the foregoing), (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to beneficiaries, including Beneficiary, in the order of their lien priority, to the extent of those monies due and owing under the Note, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of any such award, judgment or settlement which may be received by Trustor. Subject to any prior rights of creditors under the Senior Financing (as defined in the Loan Agreement), Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Permitted Acts of Beneficiary. That without affecting the liability of any person, including Trustor (other than any person released pursuant hereto), for the payment of any indebtedness secured hereby, Beneficiary is authorized and empowered as follows: Beneficiary may at any time, and from time to time, either before or after the maturity of the obligations secured hereby, and without notice (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, or (d) release any property, real or personal, securing the indebtedness.

8. Reconveyance of Property. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall bear interest at the Default Rate of interest per annum as set forth in the Note until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its instrument conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Note, not then repaid, with accrued interest at the rate of three percent (3%) per annum (simple interest); second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. Substitute Trustees. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the Office of the Recorder of the County of Los Angeles, and by otherwise complying with the provisions of California Civil Code Section 2934a, or any successor section, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, right, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

11. Successors Bound. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, assigns, trustees and receivers. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

12. Evidence of Title. That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the rate of three percent (3%) per annum (simple interest). Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request.

13. Default in Other Instruments; Bankruptcy. That default in the terms of any other instrument securing the debt secured hereby, and/or the filing or other commencement of any bankruptcy or insolvency proceedings including any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate, by, for or against Trustor shall after

any applicable cure period constitute default under this Deed of Trust.

14. Statute of Limitations. That the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived by the Trustor, to the full extent permissible by law.

15. Severability. That the invalidity of any one or more covenants, phrases, clauses, sentences, paragraphs or sections of this Deed of Trust shall not affect the remaining portions of this Deed of Trust or any part hereof and this Deed of Trust shall be constructed as if such invalid covenants, phrases, sentences, paragraphs or sections, if any, had not been inserted herein.

16. Order of Application. That if the indebtedness secured hereby is now or hereafter becomes further secured by a security agreement, deed of trust, pledge, contract of guaranty or other additional securities, Beneficiary may to the full extent allowed by law, at its option, exhaust any one or more of said securities as well as the security hereunder, either concurrently or independently and in such order as it may determine, and may apply the proceeds received upon the indebtedness secured hereby without affecting the status of, or waiving any right to exhaust all or any other security including the security thereunder and without waiving any breach or default in any right or power, whether exercised hereunder or contained herein, or in any such other security.

17. Covenants of Trustor.

a. Audit by State and Federal Agencies. In the event the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Trustor shall comply with such inspections and pay, on behalf of itself and Beneficiary, the full amount of the cost to the inspecting agency of such inspections (unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Beneficiary).

b. Program Evaluation and Review Trustor shall allow Beneficiary's authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or the Loan Agreement, including the interview of Trustor's staff, tenants, and other program participants, as reasonably required by Beneficiary during the term of the Loan.

18. Default. The Trustor shall be in default under this Deed of Trust upon any of the following events which, if not cured within the applicable cure period provided, if any, shall constitute an event of default hereunder ("Event of Default"):

a. The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note, the Loan Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Note;

b. The failure of Trustor to perform any non-monetary covenant or obligation hereunder or under the terms of the Loan Agreement, the Note or any other

documents executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 18(c) through 18(g) below;

c. The material falsity of any representation or breach of any warranty or covenant made by Trustor under the terms of this Deed of Trust, the Note, the Loan Agreement or any other document executed in connection therewith;

d. Trustor or any constituent member or partner, or majority shareholder, of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

e. If without the application, approval or consent of Trustor, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner, or majority shareholder, of Trustor, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

f. Trustor shall suffer or attempt to effect a Transfer (as defined in Section 33 below) other than in full compliance with the terms of this Deed of Trust (or otherwise in violation of Section 16 or 31 of the Loan Agreement);

g. Trustor shall be in default under the CC&Rs, the Senior Financing, any Junior Financing or Other Financing (as all these terms are defined in the Loan Agreement), the Supportive Services Agreement (as defined in, and if applicable under, Section 8 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default; or

h. Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Deed of Trust

for a continuous period of more than sixty (60) days.

19. Acceleration. The entire principal and all accrued and unpaid interest on the Note shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof (except in the case of default described in Section 18 (c) or (d) , in which case no notice shall be required), become immediately due and payable upon any Event of Default as set forth in the Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

20. Breach by Trustor, Cure by Beneficiary or Trustee. In the event of Trustor's failure to comply with any or all of the promises and agreements set forth in this Deed of Trust or to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either in its sole judgment may deem necessary to protect the security hereof (including, without limitation, to procure insurance and pay the premiums therefor; to pay unpaid water rents, sewer service charges, and other governmental or municipal charges and rates, and all or any part of the unpaid taxes, assessments, and reassessments, if in its judgment the same are just and valid; to pay the cost of appraisals, reappraisals, and extensions of title; to enter or have its agents enter upon the Property whenever reasonably necessary for the purpose of inspecting the Property and the improvement hereon or making repairs or installations as it deems necessary to preserve the Property and the improvement hereon or to protect the same from vandalism, without thereby becoming liable as a trespasser or mortgagee or beneficiary in possession, and to pay for such repairs and installations). Beneficiary and Trustee are hereby authorized to enter upon the Property for such purposes; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, to pay necessary expenses, employ counsel of its choice and pay the reasonable fees of such counsel. Trustor agrees to pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and that Beneficiary shall have a lien upon the Property for the sums so expended and such interest thereon.

21. Security Agreement. That all property covered by this Deed of Trust be deemed to constitute real property or interests in real property to the maximum extent permitted under applicable law. To the extent that any tangible property, equipment or other property covered by this Deed of Trust constitutes personal property, such personal property shall constitute additional security. This Deed of Trust shall create in Beneficiary a security interest in such personal property and shall in respect thereof constitute a security agreement (the "Security Agreement"). Beneficiary shall be entitled to all of the rights and remedies in respect of any personal property included in the Property covered by this Deed of Trust afforded a secured party under the Uniform Commercial Code and other applicable law. At Beneficiary's request Trustor will at any time and from time to time furnish Beneficiary for filing financing statements signed by Trustor in form satisfactory to Beneficiary. Trustor acknowledges and agrees that thirty (30) days' notice as to the time, place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed of Trust unless Beneficiary executes documentation expressly terminating the Security

Agreement.

22. Assumption of Liability. Except as provided in Section 33 below, the assumption of liability for the payment of the indebtedness hereby secured, by any successor in interest to Trustor in the Property (in the event Beneficiary elects not to accelerate the repayment of the Loan pursuant to any transfer or disposition of the Property by operation of law or otherwise) shall not release Trustor from any liability Trustor has hereunder or under the other Loan Documents for the payment of such indebtedness or any sums advanced under and secured by this Deed of Trust. Any forbearance or indulgence of Beneficiary, or extensions of time for the payment of all or any part of the indebtedness secured hereby, or the release of a part of the Property from the lien of this Deed of Trust, for, or without, payment of a consideration, shall not in any manner diminish or reduce the liability of Trustor (subject to the non-recourse provisions of Section 27) for the payment of the indebtedness now or hereafter secured hereby; and that any payments made upon the said indebtedness shall be deemed to have been made on behalf and for the benefit of all parties obligated to pay the same. The acceptance of payments in excess of the installments provided to be paid upon the Note or the consideration paid for any such release shall not alter or diminish the obligation of Trustor to thereafter make payments in the amounts and on the dates provided therein, until the same are fully paid.

23. Future Advances. That upon the request of the Trustor or its successor in ownership of the Property, Beneficiary may, at its option, at any time before full payment of the Note secured hereby, make further advances to the Trustor or its successors in ownership, and the same, with interest and late charges as permitted by law, shall be secured by this Deed of Trust; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, the Trustor or its successors in ownership agree to execute and deliver to Beneficiary a note to evidence the same, payable on or before the maturity of the indebtedness under the Note secured hereby and bearing such other terms as Beneficiary shall require.

Trustor further acknowledges and agrees: that this Deed of Trust is intended to, and shall, secure not only the original indebtedness under the Note, but any and all future advances made by Beneficiary to Trustor; that this Deed of Trust shall secure any unpaid balances of advances made with respect to the Property; that Beneficiary shall have the benefit of all statutes now existing or henceforth enacted to assure repayment of any such future advances plus interest thereon; that to secure the payment of said original indebtedness and future advances Beneficiary shall also have a lien upon all other personal property and securities now or hereafter in its possession belonging to Trustor; that all rights, powers and remedies conferred upon Beneficiary herein are in addition to each and every other right which Beneficiary has hereunder; that all rights, powers and remedies conferred upon Beneficiary in equity or by law may be enforced concurrently therewith; that Beneficiary shall be subrogated to the rights and seniority of any prior lien paid or released by reason of the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

24. Captions. That the captions of the sections of this Deed of Trust are for convenience only and shall not be considered in resolving questions of interpretation or construction.

25. Estoppel Certificates. That Trustor shall from time to time at Beneficiary's request furnish Beneficiary or any person designated by Beneficiary a certified statement in form satisfactory to Beneficiary confirming as of the date of the certificate the unpaid principal balance and accrued interest on the Note and stating that Trustor is not in default hereunder (or describing any default), and stating that Trustor has no defense, right of set off or counterclaim in the payment of the indebtedness, or any part thereof, or the observance or performance of any obligation (or describing any such defense, set off or counterclaim). Any purchaser or assignee of the Note or this Deed of Trust or any interest therein may rely on such certificate.

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary or its representatives to examine such books and records and all supporting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

27. Obligation Non-Recourse. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with the Loan, the Loan is a non-recourse obligation of Trustor and in the event of the occurrence of an Event of Default, Beneficiary's only recourse under this Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Beneficiary as security for repayment of the Loan.

28. Fixture Filing. This Deed of Trust is also a fixture filing with respect to the personal property which is or is to become fixtures on the Property, and is to be recorded in the real property records of Los Angeles County, California.

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compensation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and making such collection, shall be deemed a portion of the expense of this trust. The entering upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may

exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law.

30. Applicable Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California.

31. Approvals. Except with respect to those matters set forth hereinabove providing for the Beneficiary's approval, consent or determination to be at the Beneficiary's "sole discretion" or "sole and absolute discretion," the Beneficiary hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Beneficiary hereunder. The Beneficiary agrees to give Trustor written notice no later than 30 days of its approval or disapproval following submission of items to the Beneficiary for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any consent to a transfer under Section 33 of this Deed of Trust, and any other consent or approval by Beneficiary under this Deed of Trust or any of the other Loan Documents, may be given by Beneficiary's Executive Director without action of Beneficiary's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

32. Good Faith and Fair Dealing. The Beneficiary and Trustor agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

33. Assignment of Interest.

Without the prior written approval of the Beneficiary, which approval the Beneficiary may grant or withhold in Beneficiary's sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property (including the Project but excluding tenant leases pursuant to the terms of the Loan Agreement), (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, Beneficiary consents to the events described in the last paragraph of Section 16.0 of the Loan Agreement without Trustor obtaining any further consent of Beneficiary. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Loan Agreement or this Deed of Trust.

At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Trustor and the proposed transferee to the Beneficiary sufficient to establish and insure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on

Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. From and after the effective date of any such Transfer, Trustor shall be released from its obligations arising thereafter under the Loan Documents.

Notwithstanding anything in this Deed of Trust to the contrary, Trustor agrees that it shall not be permitted to make any Transfer, whether or not the Beneficiary consent is required therefor and even if the Beneficiary has consented thereto, if there exists an Event of Default under this Deed of Trust at the time the Transfer Notice is tendered to the Beneficiary or at any time thereafter until such Transfer is to be effective.

The provisions of this Section 33 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Trustor under the terms set forth herein.

(CONTINUED ON NEXT PAGE)

IN WITNESS WHEREOF, the undersigned have executed this Deed of Trust as of the date first above written.

TRUSTOR:

MERCY HOUSING CALIFORNIA XLIII, L.P.
a California limited partnership

By: **Mercy Housing Calwest, L.P.**
a California limited partnership

Its: General Partner

By: _____

Date: _____

BENEFICIARY:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES,
a public body corporate and politic

By: _____
WILLIAM K. HUANG, Acting Executive Director

Date: _____

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By: _____
Deputy

Date: _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____ before me, _____, Notary
Public, personally appeared

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____ before me, _____, Notary
Public, personally appeared

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authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),
or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Deed of Trust Attachment 1

LEGAL DESCRIPTION OF THE SITE

EXHIBIT "E" TO LOAN AGREEMENT

CC&RS

RECORDING REQUESTED BY AND
AFTER RECORDATION, MAIL TO:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Housing
Development and Preservation

(Space Above Line for Recorder's use)

This Agreement is recorded at the request and for the benefit of the Community Development Commission of the County of Los Angeles and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

EXHIBIT "G" TO LOAN AGREEMENT

COVENANTS, CONDITIONS, AND RESTRICTIONS
(HOME PROGRAM - PROJECT NO. _____)

THIS AGREEMENT CONTAINING COVENANTS, CONDITIONS, AND RESTRICTIONS ("Agreement") is executed as of the ____ day of _____, 2008 by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission"), and **MERCY HOUSING CALIFORNIA XLIII, L.P.**, a California limited partnership ("Owner"), with reference to the following:

A. The Commission and Owner are parties to a Loan Agreement ("Loan Agreement") dated as of the ____ day of _____, 2008, on the terms and conditions of which Owner shall assume a loan in the amount of **ONE MILLION SIX HUNDRED THOUSAND DOLLARS (\$1,600,000)** (the "Loan") for the purpose of providing financing for the housing development described in the Loan Agreement (the "Project"). The Project is situated on a site legally described on Exhibit A to this Agreement (the "Site").

B. Unless otherwise expressly provided, all defined terms used in this Agreement shall have the defined meanings provided for in the Loan Agreement.

NOW THEREFORE, in consideration of the representations, covenants, and obligations of Owner contained in this Agreement, Owner, on behalf of itself and its successors and assigns, hereby covenants and agrees as follows:

(1) Use of the Property.

a. Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Owner, that, throughout the Fifty-Five (55) year term of the CC&Rs, Owner and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project as a residential development with the defined number of dwelling units and, with respect to the units designated to be assisted as consideration for the Loan ("Assisted Units"), Sixty-Six (66) Assisted Units shall be in accordance with the tenant income levels specified in this Agreement. (The Assisted Units are exclusive of One (1) manager's unit.)

All Assisted Units shall be rented only at an Affordable Housing Cost to Sixty Percent Income Households or Very Low-Income Households as hereinafter defined (households meeting the applicable criteria are occasionally referred to as "Eligible Households" and persons within any group occasionally referred to as "Eligible Person" or "Eligible Persons") and as outlined in the following table:

Household Income Level (% of Area Median Income)	2-BR units	3-BR units	TOTAL UNITS	Total CDBG Assisted Units
Fifty Percent (50%)	23	7	30	30
Sixty Percent (60%)	24	12	36	36
Manager's Unit	1		1	0
TOTAL	48	19	67	66

"Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed the qualifying limits for lower income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, which qualifying limits are otherwise set forth in Section 6932 of the California Code of Regulations and are equivalent to eighty percent (80%) of Area Median Income, adjusted for family size and other adjustment factors by the United States Department of Housing and Urban Development (HUD).

"Sixty Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed sixty percent (60%) of Area Median Income.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty percent (50%) of Area Median Income.

"Affordable Housing Cost" shall mean, as to each Eligible Person, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for a Sixty Percent Income Household, the product of thirty percent (30%) times sixty percent (60%) of Area Median Income; and

(ii) for a Very Low-Income Household, the product of thirty percent (30%) times fifty percent (50%) of Area Median Income.

"Area Median Income" shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such Area Median Income.

Owner shall specifically provide in each Assisted Unit lease and shall strictly enforce the requirement that each Assisted Unit be occupied at all times by the eligible household who has leased that Assisted Unit, and that any other occupant of the unit be another qualified member of the lessee's household. The Commission shall be identified as a third party beneficiary of that covenant and shall have the right to directly enforce that restriction in the event Owner fails to do so. Prior to execution of any Assisted Unit lease with respect to the Project, Owner shall submit to the Commission and obtain its written approval of a standard form occupancy lease and Owner shall thereafter use the approved form for all leases of Assisted Units in the Project, with only such further modifications thereto as are first submitted to and approved in writing by the Commission.

b. Tenant Selection Process; Reports and Records Concerning Tenancies. Owner shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by the Commission to monitor compliance with the tenancing requirements described in Paragraph (1)a above, including without limitation the requirement that Owner deliver reports to the Commission commencing at the close of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Owner shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by the Commission to certify such tenant's qualification for occupancy of the Project. Owner's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in this Paragraph (1).

c. Owner shall provide, in accordance with the Supportive Services Agreement or description of services attached to this Agreement as Exhibit B, certain supportive services for residents of the Project, as described in the Exhibit B throughout the Term of this Agreement.

(2) Management of Project. Subject to the terms and conditions contained hereinbelow, Owner shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("Manager") with respect to the operation of the Project, including day-to-day administration, maintenance and repair. Owner shall, before execution or any subsequent amendment or replacement thereof, submit and obtain The Commission's written approval (which shall not be unreasonably withheld, conditioned or delayed) of a management contract ("Management Contract") entered into between Owner and an entity ("Management Entity") reasonably acceptable to the Commission. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen

(15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of the Commission. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Owner and the Commission. Owner shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding 60 days from Management Entity's receipt of notice of the failure from Owner or the Commission. Owner's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Paragraph (1) of this Agreement.

(3) Operations and Maintenance. Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Owner, that Owner and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the Loan Agreement and the Deed of Trust (as defined in the Loan Agreement).

Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Owner, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any Applicable Governmental Restrictions (as defined below) or the restrictions contained in this Agreement. Furthermore, Owner and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Site or the Project, or any portion thereof.

As used herein, "Applicable Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; the laws specified in the Loan Agreement; fair housing laws; and applicable federal, state and local laws. Owner shall indemnify, defend and hold the Commission harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, award, fine, penalty or liability arising out of Owner's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid in connection with the Project.

Owner shall, at its expense, (i) maintain all improvements and landscaping on the Site in first-class order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project approved by the Commission in accordance with the Loan Agreement and all Applicable Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with Applicable Governmental Restrictions so as to maintain a safe and attractive living environment for Project residents.

(4) Performance of Maintenance.

a. Owner shall maintain in accordance with the Commission Standards, as hereinafter defined, the private improvements, public improvements and landscaping to the curblines on and abutting the Site. Said improvements shall include, but not be limited to, buildings, sidewalks and other paved areas, pedestrian lighting, landscaping, irrigation of landscaping, architectural elements identifying the Site and any and all other improvements on the Site and in the public right-of-way to the nearest curblines abutting the Site.

b. To accomplish the maintenance, Owner shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Agreement.

c. Commission Standards: The following standards ("Commission Standards") shall be complied with by Owner and its maintenance staff, contractors or subcontractors

(i) Ordinary Maintenance Standards - Owner shall maintain the dwelling units and Site in good repair, order and condition at all times in order to assure that the housing on the Site is kept in a decent, safe, and sanitary condition, and that the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition.

(ii) Annual Inspection Standards - Owner shall annually inspect the Site. The completed annual inspection will be documented and reported to the Commission on an annual basis, and at the end of each year Owner shall submit to the Commission a declaration certifying that the annual inspection was performed at the Site. Owner shall retain records of the inspection and make them available for review by the Commission at the request of the Commission.

(iii) Extraordinary Maintenance. Owner shall perform any extraordinary repairs or replacements necessary in order to maintain the Site, including extraordinary replacement of equipment, betterment, and additions. Extraordinary repairs or replacement consists of major repairs and rehabilitation involving substantial expenditures which usually are needed only at relatively long intervals of time, or are caused by such occurrences as earthquake, fire, obsolescence and, in some instances, neglect. Such items as replacement of roofs, replacement of corroded gas and heating lines, and rehabilitation of landscaping (ground-cover) would be considered in this category.

(iv) The Commission may enter and inspect the premises at any time after notifying Owner 72 hours prior to the planned inspection, and said notice shall be delivered to Owner at the address indicated in paragraph 17(e) below.

(5) Failure to Maintain Improvements. In the event Owner does not maintain the Site improvements to the curblines in the manner set forth herein and in accordance with the Commission Standards, the Commission shall have the right to maintain such private and/or public improvements, or to contract for the correction of such deficiencies, after (i) written notice

to Owner stating that the condition of said improvements does not meet with the Commission Standards and specifying the deficiencies and the actions required to be taken by Owner to cure the deficiencies ("Deficiency Notice"); and (ii) the lapse of the applicable "Cure Period," as hereinafter defined. Upon receipt of the Deficiency Notice, Owner shall have thirty (30) days within which to correct, remedy or cure the deficiency, unless such deficiency is not capable of being cured within such 30 day period, then such amount of time as is needed to cure such deficiency provided owner is diligently pursuing cure; provided however, if the Deficiency Notice states the problem is urgent relating to public health and safety, then Owner shall have forty-eight (48) hours to rectify the problem (collectively the "Cure Periods").

In the event Owner fails to correct, remedy, or cure such maintenance deficiency after the Deficiency Notice and after the applicable Cure Period has lapsed, then the Commission shall have the right to maintain such improvements. Owner agrees to pay the Commission, upon demand, charges and costs incurred by the Commission in connection with such maintenance. Until so paid, the Commission shall have a lien on the Site for the amount of such maintenance charges and costs, which lien shall be perfected by the recordation of a "Notice of Claim of Lien" against the Site. Upon recordation of a Notice of a Claim of Lien against the Site, such lien shall constitute a lien on the fee estate in and to the Site prior and superior to all other monetary liens except: (i) all taxes, bonds, assessments, and other levies which by law would be superior thereto; (ii) the lien or charges of any mortgage, deed of trust, or other security interest then of record made in good faith and for value, it being understood that the priority for any such lien for costs incurred to comply with this Agreement shall date from the date of the recordation of the Notice of Claim of Lien. Any such lien shall be subject and subordinate to any lease or sublease of the interest of Owner in the Site or any portion thereof and to any easement affecting the Site or any portion thereof entered into at any time (either before or after) the date of recordation of such a Notice. Any lien in favor of the Commission created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien describing such lien as aforesaid, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgage or beneficiary thereunder expressly subordinates his interest, or record, to such lien. No lien in favor of the Commission created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Upon foreclosure of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any unsatisfied Notice of Claim of Lien, the foreclosure-purchaser shall take title to the Site free of any lien imposed herein by the Commission that has accrued up to the time of the foreclosure sale, and upon taking title to the Site, such foreclosure-purchaser shall only be obligated to pay costs associated with this Agreement accruing after the foreclosure-purchaser acquires title to the Site. If the Site is ever legally divided with the written approval of the Commission and fee title to various portions of the Site is held under separate ownerships, then the burdens of the maintenance obligations set forth herein and in the Agreement and the charges levied by the Commission to reimburse the Commission for the cost of undertaking such maintenance obligations of Owner and its successors and the lien for such charges shall be apportioned among the fee owners of the various portions of the Site under different ownerships proportionate to the square footage of the land contained in the respective portions of the Site owned by them. Upon apportionment, no separate owner of a portion of the Site shall have any liability for the apportioned liabilities of any other separate owner of another portion of the Site, and the lien shall be similarly apportioned and shall only constitute a lien against the portion of the Site owned in fee by the owner who is liable for the apportioned lien

and against no other portion of the Site. Owner acknowledges and agrees the Commission may also pursue any and all other remedies available in law or equity. Owner shall be liable for any and all reasonable attorneys' fees, and other legal costs or fees incurred in collecting said maintenance costs.

(6) [Reserved.]

(7) Owner's Obligation to Refrain From Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Owner itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

Owner shall refrain from restricting the rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

c. In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or

practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

Nothing in this Paragraph shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

(8) Covenants Run With the Land; Duration of Covenants. The covenants and agreements established in this Agreement shall be covenants running with the land and shall, without regard to technical classification and designation, be binding on Owner and any successor-in-interest to Owner's interest in the Site, or any part thereof, for the benefit of and in favor of the Commission and its successors and assigns. The covenants of this Agreement shall remain in effect through the Term, notwithstanding the repayment of the Loan by Owner prior to the Maturity Date. The covenants contained in Paragraph 7 of this Agreement shall remain in effect in perpetuity.

The Improvements to the curblin(e) and the maintenance thereof touch and concern the Site and inure to the benefit of any and all present or successive owners of the Site. Therefore, whenever the word "owner" is used herein, it shall include the owner as of date of execution of this Agreement, and any and all successor owners or assigns of the Site, and the provisions hereof are expressly binding upon all such successive owners and assigns and the parties agree all such provisions shall run with the land. The Commission shall cause a fully executed copy of this Agreement to be recorded in the Office of the Los Angeles County Recorder. Notwithstanding the foregoing, in the event Owner or its successors or assigns shall convey its fee interest in all or any portion of the Site, the conveying owner shall be free from and after the date of recording such conveyance of all liabilities, respecting the performance of the restrictions, covenants or conditions contained in this Agreement thereafter to be performed with respect to the Site, or any part thereof, it being intended that the restrictions, covenants and conditions shall be binding upon the record owners of the Site only during such time as that person is the owner of the Site, provided that the conveying owner shall remain liable for any actions prior to the date of the conveyance.

(9) Enforcement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that the Commission shall be deemed the beneficiary of the terms and provisions of this Agreement and of the restrictions and covenants running with the land for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit the covenants running with the land have been provided. Each covenant of Owner, shall, without regard to technical classification and designation, inure to the benefit of the successors, transferees and assigns of the Commission for the entire period during which such covenants shall be in force and effect, and shall be binding upon the successors, transferees and assigns of Owner, whether by merger, consolidation, sale, transfer, liquidation or otherwise. Each covenant in favor of the Commission is for the benefit of the real property owned by the Commission in the area surrounding the Site. The covenants herein running with the land shall also be equitable servitudes upon the Site and each part thereof and shall bind each and every person having any interest in the Site or part thereof, whether such interest is fee, easement, leasehold, beneficial or otherwise, and each successor or assign of such person having any such interest in the Site or part thereof. The Commission shall have the right if any of the covenants set forth in this Agreement which are provided for its benefit are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other

proper proceedings to enforce the curing of such breach to which it may be entitled. Except for the Commission, the covenants and restrictions contained in this Agreement shall not benefit or be enforceable by any owner of any other real property or any person or entity having any interest in any such other real property.

(10) Compliance with Law. Owner shall comply with all Applicable Governmental Restrictions relating to the uses of or condition of the Site private improvements and public improvements to the curblin(e)s. Local laws for the purposes of this paragraph shall include only those ordinances which are nondiscriminatory in nature and applicable to the public welfare, health, safety and aesthetics. If any new local laws relating to the uses of or condition of the improvements create a condition or situation that constitutes a lawful nonconforming use as defined by local ordinance with respect to the Site or any portion thereof, then so long as the lawful nonconforming use status remains in effect (i.e., until such lawful status is properly terminated by amortization as provided for in the new local law or otherwise), Owner shall be entitled to enjoy the benefits of such lawful nonconforming use pursuant to the lawful nonconforming uses ordinance.

(11) Indemnification and Insurance. Community Development Commission and the Housing Authority of the County of Los Angeles are hereinafter collectively referred to as "Public Agencies".

a. Indemnification. In the event that Owner is not acting as a Design Professional, Owner agrees to indemnify, defend and save harmless the Public Agencies, and their elected and appointed officials, officers, representatives, employees, and agents (hereinafter collectively referred to as "Agents"), from and against any and all liability, demands, damages, claims, causes of action, fees (including reasonable attorney's fees and costs and expert witness fees), and expenses, including, but not limited to, claims for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), that arise out of, pertain to, or relate to this Agreement, the services and/or materials provided pursuant to this Agreement, the Property, or Project. Owner shall not be required to indemnify, defend, and save harmless the Public Agencies and its Agents from any Liabilities that arise from the active negligence, sole negligence or willful misconduct of the Public Agencies, Agents, servants, or independent contractors who are directly responsible to the Public Agencies. Such indemnification language shall also be incorporated in Owner's contracts with any general contractors and subcontractors in favor of the Public Agencies.

In the event that Owner is acting as a Design Professional, Owner agrees to indemnify, defend and save harmless the Public Agencies and their Agents from and against any and all Liabilities that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Owner. Such indemnification language, in favor of the Public Agencies, shall also be incorporated in Owner's contracts with any Design Professionals in favor of the Public Agencies.

These indemnification provisions shall remain in full force and effect and survive the cancellation, termination and/or expiration of this Agreement. Owner agrees to require any entities with which it contracts to agree to and abide by the above mentioned indemnification requirements in favor of the Public Agencies, as applicable to each of them.

b. Insurance. Without limiting Owner's indemnifications of the Public Agencies provided in this Agreement, Owner and/or the entities with which Owner contracts,

shall procure and maintain at their own expense the insurance described in this section for the duration of this Agreement, unless otherwise set forth herein. Such insurance shall be secured from carriers admitted in California, or authorized to do business in California. Such carriers shall be in good standing with the California Secretary of State's Office and the California Department of Insurance. Such carriers must be approved by the California Department of Insurance and must be included on the California Department of Insurance List of Eligible Surplus Line Insurers (hereinafter "LESLI"). Such carriers must have a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Owner shall, concurrent with the execution of this Agreement, deliver to the Public Agencies certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. If original endorsements are not immediately available, such endorsements may be delivered subsequent to the execution of this agreement, but no later than 40 days following execution of this agreement. Owner shall deliver satisfactory evidence of issuance of property insurance and worker's compensation insurance described below at such time that such exposures are at risk, but in no event later than the Close of Escrow. Owner shall deliver satisfactory evidence of issuance of Professional Liability Coverage once the Design Professionals are hired for the Project or Owner begins to provide professional services, whichever comes first. (For purpose of these insurance requirements and indemnity provisions, Design Professionals shall include, but not be limited to, the following: architects, structural engineers, civil engineers, geotechnical engineers and environmental consultants.) The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. The Public Agencies reserve the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to the Public Agencies and may provide for such deductibles as may be acceptable to the Public Agencies. In the event such insurance does provide for deductibles or self-insurance, Owner agrees that it and/or the entities with which it contracts, will defend, indemnify and hold harmless the Public Agencies, its elected and appointed officers, officials, representatives, employees, and agents in the same manner as they would have been defended, indemnified and held harmless if full coverage under any applicable policy had been in effect. Each such certificate shall stipulate that the Public Agencies are to be given at least thirty (30) days' written notice in advance of any cancellation or any reduction in limit(s) for any policy of insurance required herein. Owner shall give the Public Agencies immediate notice of any insurance claim or loss which may be covered by insurance. Owner represents and warrants that the insurance coverage required herein will also be provided by Owner's general contractors, subcontractors, and Design Professionals, as detailed below. All certificates of insurance and additional insured endorsements shall carry the following identifier:

Santa Clara Terrace
27077 Hidaway Avenue
Santa Clarita, CA, 91351

The aforementioned insurance policies shall be primary insurance with respect to the Public Agencies. The aforementioned insurance policies shall contain a waiver of subrogation for the benefit of the Public Agencies. Failure on the part of Owner and/or any entities with which Owner contracts, including, but not limited to any Design Professionals and general contractors, to procure or maintain the insurance coverage required herein shall constitute a material breach of this Agreement pursuant to which the Public Agencies may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole and absolute discretion, and without waiving such default or limiting the rights or remedies of the Public Agencies, procure or renew such insurance and pay any and all premiums in connection

therewith and all monies so paid by the Public Agencies shall be immediately repaid by the Owner to the Public Agencies upon demand including interest thereon at the Default Rate. In the event of such a breach, the Public Agencies shall have the right, at its sole election, to participate in and control any insurance claim adjustment or dispute with the insurance carrier. Owner's failure to assert or delay in asserting any claim shall not diminish or impair the Public Agencies' rights against the Owner or the insurance carrier.

When Owner is naming the Public Agencies as additional insureds on any of the commercial general liability insurance policies set forth herein, then the additional insured endorsement shall contain language similar to the language contained in ISO form CG 20 10 10 01. When any entity, with which Owner is contracting, is naming the Public Agencies as additional insureds on any of the commercial general liability insurance policies set forth herein, then the additional insured endorsement shall contain language similar to the language contained in ISO form CG 20 10 11 85.

The following insurance policies shall be maintained by Owner and any entity with which Owner contracts for the duration of this Agreement unless otherwise set forth herein:

(i) Commercial General Liability:

a. For projects in which the direct construction costs are projected to be less than \$15,000,000, Commercial General Liability insurance, including coverage for bodily injury, property damage and contractual liability, with a combined single limit not less than One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate), including, but not limited to, products and completed operations coverage. The Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policy. Owner shall require its general contractor to carry Commercial General Liability insurance of not less than Two Million Dollars (\$2,000,000) for each occurrence (Three Million Dollars (\$3,000,000) General Aggregate), including, but not limited to, products and completed operations protection. Owner shall further require its general contractor to provide additional insured status for Owner and Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents, on such policy. Owner shall also require its general contractor to require that all tiers of the general contractor's subcontractors provide Commercial General Liability insurance of not less than One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate). Owner shall further require all tiers of its subcontractors shall to provide additional insured status in favor of the Owner and Public Agencies and their elected and appointed officers, officials, representatives, employees and agents, on such policy.

b. For projects in which the direct construction costs are projected to be greater than \$15,000,000, Commercial General Liability insurance, including coverage for bodily injury, property damage and contractual liability, with a combined single limit not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate), including, but not limited to, products and completed operations coverage. The Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policy. Owner shall require its general contractor to carry Commercial General Liability insurance of not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate), including, but not limited to, products and completed operations protection. Owner shall further require its general contractor to provide additional insured status for Owner and

Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents, on such policy. Owner shall also require its general contractor to require that all tiers of the general contractor's subcontractors provide Commercial General Liability insurance of not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate). Owner shall further require all tiers of its subcontractors to provide additional insured status in favor of the Owner and Public Agencies and their elected and appointed officers, officials, representatives, employees and agents, on such policy.

c. For projects in which the direct construction costs are projected to be greater than \$25,000,000, the Public Agencies may determine at their sole discretion that an increased amount of Commercial General Liability insurance may be required both from the Owner and the general contractor. This will be determined on a situational basis.

(ii) Professional Liability:

a. For projects in which the direct construction costs are projected to be less than \$15,000,000, Owner shall require that the following professional liability insurance coverage language be incorporated in its contract with any Design Professional with which it contracts for professional services: Design Professional shall maintain professional liability insurance, including, but not limited to, coverage for personal injury, property damage and contractual liability, with a combined single limit not less than One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate). Said insurance shall be maintained for a period of not less than four (4) years after a certificate of occupancy ("COO") has been obtained by Owner with respect to the Property and Owner has provided Public Agencies with evidence of such. In the event that Owner provides any professional services, Owner shall be required to maintain the professional liability insurance set forth above.

b. For projects in which the direct construction costs are projected to be greater than \$15,000,000, Owner shall require that the following professional liability insurance coverage language be incorporated in its contract with any Design Professional with which it contracts for professional services: Design Professional shall maintain professional liability insurance, including, but not limited to, coverage for personal injury, property damage and contractual liability, with a combined single limit not less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) General Aggregate). Said insurance shall be maintained by Design Professional for a period of not less than four (4) years after a COO has been obtained by Owner with respect to the Property and Owner has provided Public Agencies with evidence of such. In the event that Owner provides any professional services, Owner shall be required to maintain the professional liability insurance set forth above.

(iii) Property Insurance: "Special Form" property insurance coverage, which shall include, without limitation, builders risk insurance and insurance against the perils of fire and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, flood, false work, testing and startup, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements. The amount of the property coverage shall at all times exceed the full replacement value of materials supplied or installed by others and all existing structures, improvements and fixtures on the Property. There shall not be a "co-insurance" clause. If a coinsurance waiver is not commercially available at reasonable rates, "Public Agencies" may waive this requirement. Said insurance shall be maintained for the duration of this Agreement. The Public Agencies and their

elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policy.

(iv) Workers' Compensation: Owner's employees, if any, shall be covered by Workers' Compensation insurance in an amount and in such form as to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits up to One Million Dollars (\$1,000,000) per accident. Owner shall require that the identical worker's compensation insurance requirements be incorporated into Owner's contract with any other entities with which it contracts in relation to the Project. Said entities shall maintain the insurance for the duration of this Agreement or the duration of the construction that is the subject of their contracts with Owner, whichever is greater.

(v) Automobile Liability: Combined single limit automobile liability insurance up to One Million Dollars (\$1,000,000) per accident for bodily injury and property damage, covering owned (if any), non-owned and hired vehicles. Owner shall require that the identical automobile liability insurance requirements be incorporated into Owner's contract with any other entities with which it contracts in relation to the Project. Said entities shall maintain the insurance for the duration of this Agreement or the duration of the construction that is the subject of their contracts with Owner, whichever is greater. The Public Agencies and their elected and appointed officers, officials, representatives, employees, and agents shall be named as additional insureds on such policies.

(12) Bodily Injury and Site Damage Insurance Requirements. Owner shall indemnify, defend, assume all responsibility for and hold the Commission and its officers, employees, and agents harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including attorneys' fees and court costs), which result from any of Owner's activities under this Agreement, whether such activities or performance thereof be by Owner or anyone directly or indirectly employed or contracted with or by Owner and whether such damage shall accrue or be discovered before or after termination of this Agreement.

Owner shall furnish a certificate of insurance and endorsement countersigned by an authorized agent of the insurance carrier on a form of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate and endorsement shall name the Commission, and if available, its officers, agents, and employees, as additional insureds under the policy. The certificate by the insurance carrier shall contain a statement of obligations on the part of the carrier to notify the Commission of any material change, cancellation or termination. Coverage provided hereunder by Owner shall be primary insurance and not contributing with any insurance maintained by the Commission, and the policy shall contain such an endorsement. The insurance policy or the certificate of insurance shall contain a waiver of subrogation for the benefit of the Commission.

(13) Waiver. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The aggrieved party shall give written notice of the default to the party in default in accordance with Paragraph (16)e hereof. The defaulting party shall no longer be in default if the defaulting party cures such default within thirty (30) days after receiving the Default Notice; provided, however, that if such default cannot be reasonably cured within such thirty (30) day period, the defaulting party shall be given such longer period as reasonably necessary (which in the case of a default by Owner shall be as reasonably determined by the Commission) and the defaulting party shall no longer be in default

if it commences to cure such default within such thirty (30) day period and completes such cure with reasonable and due diligence.

The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The exercise of any remedy shall not preclude the exercise of other remedies the Commission or Owner may have at law or at equity.

(14) Modification. This Agreement may be modified only by subsequent mutual written agreement executed by Owner and the Commission.

(15) Intentionally Left Blank.

(16) Miscellaneous Provisions.

a. Interpretation. The provisions of this document shall be liberally construed to effectuate its purpose. Time is of the essence of this Agreement.

b. Severability. Invalidation of any of the covenants, conditions, restrictions, or other provisions contained in this Agreement by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, which shall remain in full force and effect.

c. Headings. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification only, and shall not be deemed to limit or define the contents of their respective sections or paragraphs.

d. Effective Date. This Agreement shall take effect upon its recording in the Office of Los Angeles County Recorder.

e. Notices. Formal notices, demands, and communications between the Commission and Owner shall be given either by personal service, by overnight courier, or by mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the principal offices of the Commission or Owner, as follows:

If to the Commission: Community Development Commission of the County of
Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

With a copy to: Community Development Commission of the County of
Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation

If to Owner: Mercy Housing California XLIII, L.P.

address
city, state zip
Attn: _____

With a copy to: XXXX

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

f. Exhibits. Each Exhibit mentioned in this Agreement is attached hereto and incorporated herein by this reference.

g. Execution in Counterparts. The parties may execute this document in two or more counterparts; each counterpart shall be deemed an original instrument as against any party who has executed it.

IN WITNESS WHEREOF, the Commission and Owner have caused this instrument to be executed on their behalf by their respective officers hereunto duly authorized as of date first written above.

COMMISSION:

COMMUNITY DEVELOPMENT COMMISSION OF
THE COUNTY OF LOS ANGELES, a public body
corporate and politic

By: _____
WILLIAM K. HUANG,
Acting Executive Director

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By: _____
Deputy

OWNER:

MERCY HOUSING CALIFORNIA XLIII, L.P.
a California limited partnership

By: **Mercy Housing Calwest, L.P.**
a California limited partnership

Its: General Partner

By: _____

Date: _____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 200_____, before me _____, Notary Public,
personally appeared _____, who proved to
me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to
the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 200_____, before me _____, Notary Public,
personally appeared _____, who proved to
me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to
the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 200_____, before me _____, Notary Public,
personally appeared _____, who proved to
me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to
the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

EXHIBIT A TO CC&Rs

LEGAL DESCRIPTION OF SITE

EXHIBIT B TO CC&RS
SUPPORTIVE SERVICES AGREEMENT

EXHIBIT "F" TO LOAN AGREEMENT

PROJECT DESCRIPTION

The Site was initially purchased by the Commission using CDBG funds. In 1984, the Commission sold the site to SHB Financial Corporation (SHB) for the new construction of a 67-unit development with two and three-bedroom units divided among sixteen (16) town-home styled buildings.

In the original transaction, SHB issued a promissory note to the Commission in the amount of \$500,000 with a 12-year deferred-payment term and interest accruing at 10% per year until the note was paid in full. However, the note was not paid upon maturity and, as of the date of the Agreement, the total outstanding balance is approximately \$1,700,000.

The Borrower has agreed to purchase the Site and assume the existing loan. The Borrower, a limited partnership, will become the legally responsible party under the Loan. The Borrower will assume \$1,600,000 of the approximate \$1,700,000 outstanding loan amount. The existing loan balance above \$1,600,000 will be a grant from the Commission to the Project.

The Project's rehabilitation, estimated at approximately \$35,000 per unit or approximately \$2,380,000 total, will include electrical, plumbing and HVAC upgrades inside the units. Window replacement, exterior painting and an exterior lighting upgrade are also included in the rehabilitation plan. The rehabilitation will not include any substantial changes to the existing structures or to the physical layout of the property. The total number of units will be maintained.

The Project will consist of sixty-seven (67) units. Thirty-six (36) units will be set aside for households with incomes at or below sixty percent (60%) of the area median income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size. Thirty (30) units will be set aside for households at fifty percent (50%) AMI. These units will remain income-restricted for 55 years. The one (1) remaining unit will be set-aside for the manager and will have no income restrictions.

The affordability restrictions will necessitate the relocation of current residents with incomes above qualifying levels. The Developer has hired a relocation consultant to prepare a relocation plan to address the requirements according to both state and federal law.

The Developer will implement a supportive services plan to meet the needs of the residents. An on-site service coordinator will facilitate these services, which are anticipated to include after school tutoring, computer education and financial literacy.

The City of Santa Clarita has made a loan commitment in the approximate amount of \$2,750,000. The California Finance Housing Agency has committed approximately \$8,300,000 for the construction phase and \$4,950,000 for the permanent phase.

EXHIBIT "G" TO LOAN AGREEMENT

SCHEDULE OF PERFORMANCE

Santa Clara Terrace - Santa Clarita														
Project Timeline - updated 8_13_2008		2008						2009						
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Acquisition														
	Escrow closing			10/31										
	Escrow extension?				?									
Mercy Housing (G.P. of Partnership)														
	Submit CDLAC App	7/24												
	Negotiate loan documents with City		9/10<	>10/23										
	Provide info for City staff report	8/20												
	CalHFA application	8/19												
	Negotiate loan documents with CalHFA		9/1<	>10/23										
	Solicit/select tax credit investor	8/12-----8/22												
	Negotiate equity documents w/ investor	8/23<		>10/23										
	Negotiate property mgmnt agreement		9/1---9/5											
	4% tax credit application to TCAC	8/15												
	Close loan documents with CalHFA			10/23										
	Close loan documents with Agency			10/23										
	Close equity documents with investor tbd			10/23										
Santa Clarita Redevelopment Agency														
	Internal review/coordination	8/19												
	Receive info for staff repot	8/20												
	Final staff report for Agenda	8/28												
	Negotiate loan agreement with Mercy		9/10<	>10/23										
	Agency Meeting/Approve funding with conditions		9/9											
	Review equity and other lender docs		9/10<	>10/23										
	Close loan agreement with L.P.			10/31										
County of Los Angeles														
	Review Mercy proforma and relocation plan	8/15												
	Board of Supervisor approval		9/?											
	Negotiate loan agreement with Mercy		9/10<	>10/23										
	Review equity and other lender docs		9/10 ,	>10/23										
	Close loan agreement with L.P.			10/23										
CDLAC														
	Allocation of bonds		9/24											
	Acquisition closing deadline			10/31										
CALHFA														
	Review Mercy application	8/19												
	Review equity and other lender docs		9/10<	>10/23										
	Close loan documents with Mercy			10/23										
TCAC														
	4% tax credit application	8/15												
	4% tax credit allocation			10/1										
	TC closing			10/31										
Equity Investor tbd (L.P. of Partnership)														
	Equity commitment letter	8/22												
	Negotiate L.P. agreement with Mercy	8/23<		>10/23										
	Review lender docs		9/10<	>10/23										
	Close L.P.agreement with Mercy			10/23										
Relocation														
	Notice of P.A. to residents	8/18												
	Draft Relocation Plan by OPC	8/18												
	Relocation Plan 30 day review	8/18<	>9/18											
	Relocation Plan approval by Agency			10/7										
	Household income certifications				11/1<	>11/15								
	90 day GIN to relocated households					11/16								
	Relocation assistance by OPC				11/16<	>12/16								

Property Rehabilitation														
	Finalize Scope or Work			9/8										
	Negotiate G.C. contract			9/9<	>10/9									
	Notice to Proceed from L.P.					11/3								
	G.C. mobilized on site					11/10								
	G.C. commence construction					11/14								
	G.C. substantial completion										4/14			
Property Management														
	Staffing/Preplanning													
	Commence management					11/1								
	Facilitate rehab and relocation					11/1								
	Lease up per proforma					11/4<			2/15					
	Stabilized operation											5/15		
AHP Application							12/15							

EXHIBIT "H" TO LOAN AGREEMENT

SITE PLAN & ELEVATIONS

Note: The original site plan is attached. The current rehabilitation to be performed by Borrower does not include any structural work. Therefore, new site plans and elevations were not needed or required.

EXHIBIT "I" TO LOAN AGREEMENT

DEVELOPMENT PRO FORMA

Santa Clara Terrace	
Prepared For:	Mercy Housing California
Prepared By:	California Housing Partnership Corporation
Version:	Government Lender proposal
Revised:	September 17, 2008
File:	Macintosh HD:Users:chpc:Desktop:Amy:Projects:MHC:Santa Clara Terrace:Financial proformas:[Santa Clara Terrace.proforma.LAC CDC.xls]Source

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SOURCES OF FUNDS					PAGE 1
PERMANENT					
	AMOUNT	INT RATE	OID		COMMENTS
			INT RATE	TERM (Yr)	
Tax-Exempt Permanent	4,254,000	5.85%		40	
LA County HOME	1,600,000	0.00%	0.00%	55	
Accrued/Deferred Interest	0				
CalHFA HAT Loan	700,000	4.50%	2.61%	40	
Accrued/Deferred Interest	15,200				
City RDA Funds	2,749,586	3.00%	1.79%	55	
Accrued/Deferred Interest	23,700				
Income from Operations (during rehab)	164,564	0.00%		30	
Seller credit	100,000				
Deferred Developer Fee	735,740	0.00%			Percent of Unadjusted Eligible Basis: 8.58%
	0				
Capital Contributions					Percent of developer fee: 57.18%
General Partner	100				Total currently paid developer fee: 550,960
Limited Partners	3,267,787				% ownership: 0.01%
					% ownership: 99.99%
					Credit pricing: \$0.900
TOTAL SOURCES	13,610,677				
TOTAL PERMANENT USES (residential)	13,610,677				
Surplus/(Shortfall)	0				
CONSTRUCTION					
	AMOUNT	INT RATE	TERM (Mo.)		
Tax-Exempt Construction	8,300,000	5.00%		10	
LA County HOME	1,600,000	0.00%		10	
Accrued/Deferred Interest -	0				
CalHFA HAT Loan	700,000	4.50%		10	
Accrued/Deferred Interest	15,200				
City RDA Funds	1,592,741	3.00%		10	
Accrued/Deferred Interest	23,700				
Costs Deferred Until Completion*	477,840				
Seller credit	100,000				
Deferred Developer Fee	735,740				
Capital Contributions					
General Partner	100	0.00%			
Limited Partners	65,356	0.00%			
TOTAL SOURCES	13,610,677				
TOTAL CONSTR USES (residential)	13,610,677				
Surplus/(Shortfall)	0				

COSTS DEFERRED UNTIL COMPLETION	
TCAC Monitoring Fee	27,060
Operating Reserve	153,300
Legal: Perm Close	5,000
Audit/Cost Certification	17,000
Developer Fee	275,480
	477,840

* INTEREST RATE STACK	Construction	Permanent
CalHFA rate (per J. Liska)	5.000%	5.850%
Cushion	0.000%	0.000%
TOTAL	5.00%	5.85%

Santa Clara Terrace
Uses of Funds

Version: Government Lender prop
Revised: September 17, 2008

		DEPRECIABLE			100.00% TAX CREDIT ELIGIBLE	
		NON-	RESIDENTIAL EXPENSE	AMORTIZE	CONST/ REHAB	ACQUIS.
TOTAL		DEPREC				
ACQUISITION COSTS						
Total Purchase Price	7,846,250					
Land	1,900,000	1,900,000				
Building	5,906,250	100,000	5,806,250			5,806,250
Broker Fees	40,000	9,736	30,264			30,264
Off-site Improvements	0	0				
GENERAL DEVELOPMENT COSTS						
Residential Construction	1,868,206		1,868,206	0	1,868,206	
Furnishings	47,500		47,500		47,500	
Contractor Overhead & Profit (inc. in Res const)	213,481	0	213,481		213,481	
Contractor Gen Req. & Bond Pre. (inc. in Res const)	254,973	0	254,973		254,973	
Construction Contingency (residential)	104,650	0	104,650		104,650	
Phase I/Asbestos/Toxics	2,400	0	2,400		2,400	
Survey & Engineering	40,000		40,000		40,000	
Appraisal	7,500	1,825	5,675			5,675
Market Study	6,400		6,400		6,400	
Relocation & Relocation Consultant	953,116	932,107	21,009		21,009	
Predevelopment Loan Interest & Fees	10,000	0	10,000		10,000	0
Construction Interest Reserve	276,700		0	276,700	0	0
LA County HOME - (accrued interest)	0		0	0	0	
CalHFA HAT Loan (accrued interest)	15,200		0	15,200	0	
City RDA Funds (accrued interest)	23,700		0	23,700	0	
Title/Recording/Escrow - Construction	30,000		30,000		30,000	0
Title/Recording/Escrow - Permanent	10,000			10,000		
Insurance	25,000		0	25,000	0	0
Soft Cost Contingency	53,631		53,631		53,631	
TCAC Application/Monitoring Fee	32,700			32,700		
Legal: Acquisition	15,000	3,651	11,349		0	11,349
Construction Closing	15,000		15,000		0	0
Permanent Closing	5,000			5,000		
Organization of Ptnshp	5,500			5,500		
Syndication	15,000	15,000				
Syndication Consulting	40,000	40,000			0	0
Audit/Cost Certification	17,000	8,500	8,500		8,500	
Operating Reserve	153,300	153,300				
Replacement Reserves	67,000	67,000				
Construction Management	50,000		50,000		50,000	
LA Co CDC - Monitoring Fee	27,470			27,470	0	
Developer Fee	1,286,800		1,286,800		408,800	878,000
COSTS OF ISSUANCE/FINANCING FEES						
Lender Expenses	17,200			17,200	0	
Lender Counsel	0			0	0	
Lender/Credit Enhancement Fees - Construction	41,500			41,500	0	
Lender/Credit Enhancement Fees - Permanent	10,600			10,600	0	
CDLAC Fees	2,900			2,900	0	
Issuer Fee (CSCDA)	0			0	0	
Contingency	20,000	-	-	20,000		
Subtotal -Costs of Issuance	92,200	0	0	0	0	0
TOTAL DEVELOPMENT COSTS						
	13,610,677	3,231,119	9,866,088	368,070	145,400	3,134,550
						6,731,538

MAXIMUM DEVELOPER FEE CALCULATION			
	Constr	Acq	Total
Max TCAC Fee (Per Limit)	794,218	1,705,782	2,500,000
Max. TCAC Fee (per basis)	408,800	878,000	1,286,800
Ratio	31.77%	68.23%	100.00%
MAXIMUM FEE	408,800	878,000	1,286,800

Santa Clara Terrace
Unit Mix & Rental Income

Version: Government Lender proposal
Revised: September 17, 2008

AVERAGE AFFORDABILITY FOR QUALIFIED UNITS (% AMI)		UTILITY UNIT MIX ALLOWANCES		
50.57%				
		1 BR	0	\$0
		2 BR	48	\$64
		3 BR	19	\$82
		4 BR	0	\$0

RESIDENTIAL INCOME

TAX-CREDIT ELIGIBLE - TIER 1		50% AMI - RDA			Percentage of Targeted Units: 45.5%			
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER-UNIT MONTHLY GROSS RENT	PER-UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT
2 BR	23	840	19,320	39.5%	673	609	14,007	168,084
3 BR	7	1,075	7,525	38.0%	748	666	4,662	55,944
TOTAL	30		26,845				18,669	224,028

TAX-CREDIT ELIGIBLE - TIER 2		60% AMI- TCAC			Percentage of Targeted Units: 54.5%			
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER-UNIT MONTHLY GROSS RENT	PER-UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT
2 BR	24	840	20,160	60.0%	1,022	958	22,992	275,904
3 BR	12	1,075	12,900	60.0%	1,182	1,100	13,200	158,400
TOTAL	36		33,060				36,192	434,304

MANAGER UNITS								
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER-UNIT MONTHLY GROSS RENT	PER-UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT
2 BR	1	840	840	0.0%	0	0	0	0
TOTAL	1		840				0	0

TOTAL RESIDENTIAL INCOME			TOTAL UNITS	TOTAL MONTHLY (Net)	TOTAL ANNUAL
			67	54,861	658,332
TOTAL SQ FT - TAX CREDIT ELIGIBLE			59,905		
TOTAL SQ FT - NON-TAX CREDIT ELIGIE			0		
TOTAL RENTABLE SQ FT			59,905		

MISCELLANEOUS INCOME	PER-UNIT MONTHLY	TOTAL MONTHLY	TOTAL ANNUAL
Laundry/Vending	20.00	1,340	16,080
Financial & Other Revenue	0.00	0	0

Santa Clara Terrace

Base Year Income & Expense

Version: Government Lender propo
Revised: September 17, 2008

INCOME		
Scheduled Gross Income - Residential		658,332
Misc. Income		16,080
Vacancy Loss - Residential	5.0%	(33,721)
EFFECTIVE GROSS INCOME		640,691
EXPENSES - RESIDENTIAL		
Administrative		
Legal	2,300	
Accounting/Audit	10,007	
Office Expenses	0	
Misc. Admin Expense	0	
Bad Debts	0	
Administrative Rent Free Unit	0	
Payroll Processing Fee	0	
Other Renting Expenses	0	
Supplies, phone, misc.	15,947	
Total Administrative		28,254
Management Fee		41,040
Utilities		
Electricity	14,762	
Gas	19,779	
Total Utilities		34,541
Water/Sewer		15,470
Payroll/Payroll Taxes		
Superintendent Salary	32,000	
Maintenance Payroll	30,124	
Workmen's Compensation	0	
Payroll Taxes	5,617	
Health Insurance & Other Employee Benefits	0	
Other Insurance	0	
Misc. Taxes, License, Permits & Insur.	0	
Total Payroll/Payroll Taxes		67,741
Insurance (Hazard)		32,217
Property Taxes		4,800
Maintenance		
Painting	7,000	
Repairs	24,330	
Trash Removal	11,564	
Exterminating	2,880	
Grounds	21,500	
Fire Protection	1,100	
Total Maintenance		68,374
Replacement Reserve		30,150
Other		
Aggregate Expenses	0	
Resident Services	15,000	
Total Other		15,000
TOTAL EXPENSES - RESIDENTIAL		337,587
Per Unit Per Year (incl. Reserves)	5,039	
Per Unit Per Year (w/o Reser., Taxes, Tenant Serv.)	4,517	
NET AVAILABLE INCOME		303,104
California Housing Partnership Corporation		

Santa Clara Terrace

Base Year Income & Expense

Version: Government Lender propo
Revised: September 17, 2008

INCOME		
Scheduled Gross Income - Residential		658,332
Misc. Income		16,080
Vacancy Loss - Residential	5.0%	(33,721)
EFFECTIVE GROSS INCOME		640,691
EXPENSES - RESIDENTIAL		
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Total Other		15,000
TOTAL EXPENSES - RESIDENTIAL		337,587
Per Unit Per Year (incl. Reserves)	5,039	
Per Unit Per Year (w/o Reser., Taxes, Tenant Serv.)	4,517	
NET AVAILABLE INCOME		303,104
California Housing Partnership Corporation		

Santa Clara Terrace
15-Year Cash Flow

Version: Government Lender proposal
Revised: September 17, 2008

ASSUMPTIONS:																	
Rent Increase:	2.50%	Perm Loan - % Debt Svc Yr 1	100.00%														
Expenses Increase:	3.50%	Perm Loan - % Debt Svc Yr 2	100.00%														
Reserve Increase:	0.00%	Percent Lease-up Yr 1	100.00%														
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
GROSS POTENTIAL INCOME - RESIDENTIAL		658,332	674,790	691,660	708,952	726,675	744,842	763,463	782,550	802,114	822,166	842,721	863,789	885,383	907,518	930,206	
Misc. Income		16,080	16,482	16,894	17,316	17,749	18,193	18,648	19,114	19,592	20,082	20,584	21,098	21,626	22,166	22,721	
Vacancy Loss - Residential 5.0%		(33,721)	(34,564)	(35,428)	(36,313)	(37,221)	(38,152)	(39,106)	(40,083)	(41,085)	(42,112)	(43,165)	(44,244)	(45,350)	(46,484)	(47,646)	
GROSS EFFECTIVE INCOME		640,691	656,709	673,126	689,955	707,203	724,884	743,006	761,581	780,620	800,136	820,139	840,643	861,659	883,200	905,280	
TOTAL OPERATING EXPENSES		292,437	302,672	313,266	324,230	335,578	347,323	359,480	372,062	385,084	398,562	412,511	426,949	441,892	457,359	473,366	
Supportitve Services Fee		15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280	
NET OPERATING INCOME		333,254	338,511	343,792	349,094	354,412	359,745	365,087	370,435	375,784	381,131	386,469	391,794	397,100	402,382	407,634	
REPLACEMENT RESERVE		30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	
NET INCOME AVAILABLE FOR DEBT SERVICE		303,104	308,361	313,642	318,944	324,262	329,595	334,937	340,285	345,634	350,981	356,319	361,644	366,950	372,232	377,484	
Tax-Exempt Permanent																	
TOTAL DEBT SERVICE		275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	
NET CASH FLOW		27,551	32,808	38,088	43,390	48,709	54,041	59,383	64,731	70,081	75,427	80,765	86,090	91,397	96,678	101,930	
Debt Service Coverage Ratio		1.10	1.12	1.14	1.16	1.18	1.20	1.22	1.23	1.25	1.27	1.29	1.31	1.33	1.35	1.37	
DISTRIBUTION OF CASH FLOW																	
Deferred Developer Fee		735,740	27,551	32,808	38,088	43,390	48,709	54,041	59,383	64,731	70,081	75,427	80,765	86,090	54,676	0	0
GP Partnership Management Fee - Current		15,000	0	0	0	0	0	0	0	0	0	0	0	0	21,386	22,028	22,689
GP Partnership Management Fee - Deferred			0	0	0	0	0	0	0	0	0	0	0	0	15,334	74,650	79,241
CalHFA HAT Loan 6.93%			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LA County HOME 15.84%																	
City RDA Funds 27.23%			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Partner 0.01%			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Limited Partner 99.99%			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Santa Clara Terrace
30-Year Cash Flow

Version: Government Lender pro
Revised: September 21, 2008

ASSUMPTIONS:																
Rent Increase:	2.50%	Perm Loan - % Debt Svc Yr 1	100.00%													
Expenses Increase:	3.50%	Perm Loan - % Debt Svc Yr 2	100.00%													
Reserve Increase:	0.00%	Percent Lease-up Yr 1	100.00%													
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GROSS POTENTIAL INCOME - RESIDENTIAL		658,332	674,790	691,660	708,952	726,675	744,842	763,463	782,550	802,114	822,166	842,721	863,789	885,383	907,518	930,206
Misc. Income		16,080	16,482	16,894	17,316	17,749	18,193	18,648	19,114	19,592	20,082	20,584	21,098	21,626	22,166	22,721
Vacancy Loss - Residential	5.0%	(33,721)	(34,564)	(35,428)	(36,313)	(37,221)	(38,152)	(39,106)	(40,083)	(41,085)	(42,112)	(43,165)	(44,244)	(45,350)	(46,484)	(47,646)
GROSS EFFECTIVE INCOME		640,691	656,709	673,126	689,955	707,203	724,884	743,006	761,581	780,620	800,136	820,139	840,643	861,659	883,200	905,280
TOTAL OPERATING EXPENSES		292,437	302,672	313,266	324,230	335,578	347,323	359,480	372,062	385,084	398,562	412,511	426,949	441,892	457,359	473,366
Supportivte Services Fee		15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
NET OPERATING INCOME		333,254	338,511	343,792	349,094	354,412	359,745	365,087	370,435	375,784	381,131	386,469	391,794	397,100	402,382	407,634
REPLACEMENT RESERVE		30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150
NET INCOME AVAILABLE FOR DEBT SERVICE		303,104	308,361	313,642	318,944	324,262	329,595	334,937	340,285	345,634	350,981	356,319	361,644	366,950	372,232	377,484
Tax-Exempt Permanent																
TOTAL DEBT SERVICE		275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554
NET CASH FLOW		27,551	32,808	38,088	43,390	48,709	54,041	59,383	64,731	70,081	75,427	80,765	86,090	91,397	96,678	101,930
Debt Service Coverage Ratio		1.10	1.12	1.14	1.16	1.18	1.20	1.22	1.23	1.25	1.27	1.29	1.31	1.33	1.35	1.37
DISTRIBUTION OF CASH FLOW																
Deferred Developer Fee	735,740	27,551	32,808	38,088	43,390	48,709	54,041	59,383	64,731	70,081	75,427	80,765	86,090	54,676	0	0
GP Partnership Management Fee - Current	15,000	0	0	0	0	0	0	0	0	0	0	0	0	21,386	22,028	22,689
GP Partnership Management Fee - Deferred		0	0	0	0	0	0	0	0	0	0	0	0	15,334	74,650	79,241
CalHFA HAT Loan	6.93%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LA County HOME	15.84%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
City RDA Funds	27.23%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Partner	0.01%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Limited Partner	99.99%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

ASSUMPTIONS:																
Rent Increase:		2.50%														
Expenses Increase:		3.50%														
Reserve Increase:		0.00%														
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
		17	18	19	20	21	22	23	24	25	26	27	28	29	30	
GROSS POTENTIAL INCOME - RESIDENTIAL		953,461	977,298	1,001,730	1,026,773	1,052,443	1,078,754	1,105,722	1,133,366	1,161,700	1,190,742	1,220,511	1,251,023	1,282,299	1,314,357	1,347,215
Misc. Income		23,289	23,871	24,468	25,079	25,706	26,349	27,008	27,683	28,375	29,084	29,811	30,557	31,321	32,104	32,906
Vacancy Loss - Residential	5.0%	(48,837)	(50,058)	(51,310)	(52,593)	(53,907)	(55,255)	(56,637)	(58,052)	(59,504)	(60,991)	(62,516)	(64,079)	(65,681)	(67,323)	(69,006)
GROSS EFFECTIVE INCOME		927,912	951,110	974,888	999,260	1,024,241	1,049,847	1,076,094	1,102,996	1,130,571	1,158,835	1,187,806	1,217,501	1,247,939	1,279,137	1,311,116
TOTAL OPERATING EXPENSES		489,934	507,082	524,830	543,199	562,211	581,888	602,254	623,333	645,150	667,730	691,100	715,289	740,324	766,235	793,053
Supportitive Services Fee		25,130	26,010	26,920	27,862	28,838	29,847	30,891	31,973	33,092	34,250	35,449	36,689	37,974	39,303	40,678
NET OPERATING INCOME		412,848	418,019	423,138	428,199	433,193	438,113	442,948	447,690	452,330	456,856	461,257	465,523	469,641	473,599	477,384
REPLACEMENT RESERVE		30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150	30,150
NET INCOME AVAILABLE FOR DEBT SERVIC		382,698	387,869	392,988	398,049	403,043	407,963	412,798	417,540	422,180	426,706	431,107	435,373	439,491	443,449	447,234
Tax-Exempt Permanent																
TOTAL DEBT SERVICE		275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554	275,554
NET CASH FLOW		107,144	112,315	117,434	122,495	127,490	132,409	137,244	141,987	146,626	151,152	155,553	159,819	163,938	167,896	171,680
Debt Service Coverage Ratio		1.39	1.41	1.43	1.44	1.46	1.48	1.50	1.52	1.53	1.55	1.56	1.58	1.59	1.61	1.62
DISTRIBUTION OF CASH FLOW																
Deferred Developer Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Partnership Management Fee - Current		23,370	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Partnership Management Fee - Deferred		43,655	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CalHFA HAT Loan	6.93%	2,781	7,785	8,140	8,490	8,837	9,178	9,513	9,841	10,163	10,477	10,782	11,077	11,363	11,637	11,900
LA County HOME	15.84%	6,356	17,794	18,605	19,407	20,198	20,977	21,743	22,495	23,230	23,947	24,644	25,320	25,972	26,600	27,199
City RDA Funds	27.23%	10,923	30,579	31,972	33,350	34,710	36,049	37,366	38,657	39,920	41,152	42,351	43,512	44,633	45,711	46,741
General Partner	0.01%	2	6	6	6	6	7	7	7	7	8	8	8	8	8	9
Limited Partner	99.99%	20,058	56,152	58,711	61,241	63,738	66,198	68,615	70,986	73,306	75,568	77,769	79,902	81,961	83,939	85,832

EXHIBIT "J" TO LOAN AGREEMENT

OPERATING BUDGET

Santa Clara Terrace

Base Year Income & Expense

Version: Government Lender propo
Revised: September 17, 2008

INCOME		
Scheduled Gross Income - Residential		658,332
Misc. Income		16,080
Vacancy Loss - Residential	5.0%	(33,721)
EFFECTIVE GROSS INCOME		640,691
EXPENSES - RESIDENTIAL		
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Replacement Reserve		30,150
Other		
Aggregate Expenses	0	
Resident Services	15,000	
Total Other		15,000
TOTAL EXPENSES - RESIDENTIAL		337,587
Per Unit Per Year (incl. Reserves)	5,039	
Per Unit Per Year (w/o Reser., Taxes, Tenant Serv.)	4,517	
NET AVAILABLE INCOME		303,104
California Housing Partnership Corporation		

EXHIBIT “K” TO LOAN AGREEMENT

CDBG PROGRAM REQUIREMENTS

EXHIBIT "K"

CDBG PROGRAM REQUIREMENTS

SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

All developments which are assisted using CDBG program funds must comply with all of the following federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity, as set forth in 24 CFR part 5, subpart A.

Title VI of the Civil Rights Act of 1964, As Amended (42 U.S.C. 2000d) -- States that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance on the basis of race, color, or national origin. Its implementing regulations may be found in 28 CFR Part 1.

Title VIII of the Civil Rights Act of 1968, As Amended "the Fair Housing Act" (42 U.S.C. 3601) -- Prohibits discrimination in the sale or rent of units in the private housing market against any person on the basis of race, color, religion, sex, national origin, familial status or handicap. Its implementing regulations may be found in 24 CFR Part 100-115.

Equal Opportunity in Housing (Executive Order 11063, As Amended by Executive Order 12259) -- Prohibits discrimination in housing or residential property financing related to any federally assisted activity against individuals on the basis of race, color, religion, sex or national origin. Implementing regulations may be found in 24 CFR part 107.

Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101) -- Prohibits age discrimination in programs receiving federal financial assistance. Its implementing regulations may be found in 24 CFR Part 146.

Equal Employment Opportunity, Executive Order 11246, As Amended -- Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin. Provisions to effectuate this prohibition must be included in all construction contracts exceeding \$10,000. Implementing regulations may be found at 41 CFR Part 60.

CDBG PROGRAM TENANT MONITORING

All CDBG projects must comply with the CDBG Program tenant monitoring procedures established by the Commission.

AFFIRMATIVE MARKETING

Use of the Fair Housing logo, or equal opportunity language

A description of what the developer will do to affirmatively market housing assisted with HOME funds.

A description of what developer will do to inform persons not likely to apply for housing without special outreach.

Maintenance of records to document actions taken to affirmatively market CDBG-assisted units and to assess marketing effectiveness.

Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

WHAT SECTION 504 REQUIRES

HUD's Section 504 regulations require that a recipient of Federal financial assistance ensure that its program, when viewed in its entirety, is accessible to persons with disabilities. (24 CFR 8.20) In order to meet this obligation, participants in the HOME Program must:

- To the maximum extent feasible, distribute accessible units throughout the projects and sites, and make them available in a sufficient range of sizes and amenities so as not to limit choice.
- Adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals with disabilities. They must also take reasonable nondiscriminatory steps to maximize use of such units by eligible individuals.
- When an accessible unit becomes vacant, before offering the unit to an individual without a disability, offer the unit: first, to a current occupant of the project requiring the accessibility feature; and second, to an eligible qualified applicant on the waiting list requiring the accessibility features.
- When an applicant or tenant requires an accessible feature or policy modification to accommodate a disability, a federally assisted provider must provide such feature or policy modification unless doing so would result in a fundamental alternation in the nature of its program or an undue financial and administrative burden. See 24 CFR 8.4, 8.24, and 8.33 for further requirements and guidance.
- Providers are required to ensure that information about their programs is disseminated in a manner that is accessible to persons with disabilities. For example, special communication systems can greatly increase the effectiveness of outreach and ongoing communication (e.g., Telecommunications Devices for the Deaf (TTY), materials on tape or in Braille).
- * Providers must ensure that activities and meetings are conducted in accessible locations.

All recipients and sub-recipients must conduct self-evaluations of compliance with Section 504.

COMMUNITY BUSINESS ENTERPRISE

Executive Orders 11625, 12432, and 12138 (Community Business Enterprise)

Developer must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. See 24 CFR 85.36(e) of which its appendices provide guidance from HUD on acceptable outreach practices.

EXHIBIT “L” TO LOAN AGREEMENT

COMMISSION REQUIREMENTS

EXHIBIT “L” TO LOAN AGREEMENT
COMMISSION REQUIREMENTS

The Borrower agrees to comply with the following Commission requirements:

1. Termination for Improper Consideration

Commission may, by written notice to the Borrower, immediately terminate the right of the Borrower to proceed under this Agreement if it is found that consideration, in any form, was offered or given by Borrower, either directly or through an intermediary, to any Commission officer, employee or agent with the intent of securing this Agreement or securing favorable treatment with respect to the award, amendment or extension of this Agreement or the making of any determinations with respect to the Borrower’s performance pursuant to this Agreement. In the event of such termination, Commission shall be entitled to pursue the same remedies against the Borrower as it could pursue in the event of default by the Borrower.

The Borrower shall immediately report any attempt by a Commission officer or employee to solicit such improper consideration. The report shall be made either to Commission’s Executive Director or his designee.

Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

2. Confidentiality of Reports

The Borrower shall keep confidential all reports, information and data received, prepared or assembled pursuant to performance hereunder. Such information shall not be made available to any person, firm, corporation or entity without the prior written consent of Commission.

3. Commission’s Quality Assurance Plan

Commission will evaluate Borrower’s performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Borrower’s compliance with all contract terms and performance standards. Borrower deficiencies which Commission determines are severe or continuing and that may place performance of the Agreement in jeopardy, if not corrected, will be reported to the Board of Commissioners. The report will include improvement/corrective action measures taken by Commission and Borrower. If improvement does not occur consistent with the corrective measure, Commission may terminate this Agreement or seek other remedies as specified in this Agreement.

4. Borrower's Warranty of Adherence to Commission's Child Support Compliance Program

Borrower acknowledges that the Commission has established a goal of ensuring that all individuals who benefit financially from the Commission through contract are in compliance with their court-ordered child, family and spousal support obligations, in order to mitigate the economic burden otherwise imposed upon the taxpayers of the County of Los Angeles County.

As required by the Commission's Child Support Compliance Program and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance and shall during the term of this Agreement maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

5. Termination For Breach of Warranty to Maintain Compliance With Commission's Child Support Compliance Program

Failure of Borrower to maintain compliance with the requirements set forth in Paragraph 4, "Borrower's Warranty of Adherence to Commission's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to the Commission under any other provision of this Agreement, failure to cure such default within 90 calendar days of written notice shall be grounds upon which the Commission may terminate this Agreement pursuant to said paragraph 4 and pursue debarment of Borrower, pursuant to Commission policy.

6. Post Most Wanted Delinquent Parents List

Borrower acknowledges that the County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. Borrower understands that it is County's and Commission's policy to strongly encourage all Borrowers to voluntarily post an entitled "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at Contractor's place of business. The Child Support Services Department (CSSD) will supply Borrower with the poster to be used.

7. Independent Contractor

This Agreement does not, is not intended to, nor shall it be construed to create the relationship of agent, employee or joint venture between the Commission and the Borrower.

8. Drug-Free Workplace Act of the State of California

Borrower certifies under penalty of perjury under the laws of the State of California that the Borrower will comply with the requirements of the Drug-Free Workplace Act of 1990.

9. Compliance with Laws

The Borrower agrees to be bound by applicable federal, state and local laws, regulations, and directives as they pertain to the performance of this Agreement. If the compensation under this Agreement is in excess of \$100,000 then Borrower shall comply with applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 18579h), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency Regulations (40 CFR part 15).

The Borrower must obtain and present all relevant state and local insurance, training and licensing pursuant to services required within this Agreement.

Borrower shall comply with the following laws:

10. Civil Rights Act of 1964, Title VI (Non-discrimination in Federally Assisted Programs)

Borrower shall comply with the Civil Rights Act of 1964 Title VI which provides that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

11. Section 109 of the Housing and Community Development Act of 1974

Borrower shall comply with Section 109 of the Housing and Community Development Act of 1974 which states that no person in the United States shall, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

12. Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973

Borrower shall comply with the Age Discrimination Act of 1975 and section 504 of the Rehabilitation Act of 1973, which require that no person in the United States shall be excluded from participating in, denied the benefits of, or subject to discrimination under this Agreement on the basis of age or with respect to an otherwise qualified disabled individual.

13. Executive Order 11246 and 11375, Equal Opportunity in Employment (Non-discrimination in Employment by Government Contractors and Subcontractors)

Borrower shall comply with Executive Order 11246 and 11375, Equal Opportunity in Employment which requires that during the performance of this Agreement, the Borrower will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, ancestry, marital status, or disability. The Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.

The Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

The Borrower will send to each labor union or representative of workers with which he has a collective bargaining Agreement or other contract or understanding, a notice to be provided by the agency of the Borrower's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Borrower will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

The Borrower will furnish all information and reports required by the Executive Order and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of Borrower's noncompliance with the non-discrimination clauses of this Agreement or with any of such rules, regulations or orders, this Agreement may be canceled, terminated or suspended in whole or in part and the Borrower may be declared ineligible for further Government contracts in accordance with procedures authorized in the Executive Orders and such other sanctions may be imposed and remedies invoked as provided in the Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

The Borrower will include the provisions of these paragraphs in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of the Executive Order No. 11246 of September 24, 1965, that such provisions will be binding upon each subcontractor or vendor. The Borrower will take such actions with respect to any subcontract or purchase order as Commission may direct as a means of enforcing such provisions including sanctions for noncompliance, provided however, that in the event the Borrower becomes involved in, or is threatened with litigation by a subcontractor or vendor as a result of such direction by Commission, the Borrower may request the United States to enter into such litigation to protect the interests of the United States.

14. Notice to Employees Regarding the Federal Earned Income Credit

Borrower shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service Notice 1015.

15. Use of Recycled-Content Paper Products

Borrower agrees to use recycled-content paper to the maximum extent possible on the Project in order to reduce the amount of solid waste deposited at the County landfills.

16. Borrower Responsibility and Debarment

- A. A responsible Borrower is a Borrower who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the policy of the Commission to conduct business only with responsible Borrowers.
- B. The Borrower is hereby notified that if the Commission acquires information concerning the performance of the Borrower on this or other contracts which indicates that the Borrower is not responsible, the Commission may, in addition to other remedies provided in the contract, debar the Borrower from bidding on Commission contracts for a specified period of time not to exceed 3 years, and terminate any or all existing contracts the Borrower may have with the Commission.
- C. Commission may debar a Borrower if the Board of Commissioners finds, in its discretion, that the Borrower has done any of the following: (1) violated any term of a contract with the County, the Commission or the Housing Authority of the County of Los Angeles (HACOLA), (2) committed any act or omission which negatively reflects on the Borrower's quality, fitness or capacity to perform a contract with the County, the Commission or HACOLA or any other public entity, or

engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County, the Commission or HACOLA or any other public entity.

- D. If there is evidence that the Borrower may be subject to debarment, Commission will notify the Borrower in writing of the evidence which is the basis for the proposed debarment and will advise the Borrower of the scheduled date for a debarment hearing before the Contractor Hearing Board.
- E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Borrower and/or the Borrower's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether the Borrower should be debarred, and, if so, the appropriate length of time of the debarment. If the Borrower fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, the Borrower may be deemed to have waived all rights of appeal.
- F. After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision and any other recommendation of the Contract Hearing Board shall be presented to the Board of Commissioners. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Hearing Board.
- G. If a Borrower has been debarred for a period longer than five years, that Borrower may, after the debarment has been in effect for at least five years, submit a written request for review of the debarment determination to reduce the period of debarment or terminate the debarment. The Commission may, in its discretion, reduce the period of debarment or terminate the debarment if it finds that the Borrower has adequately demonstrated one or more of the following: (1) elimination of the grounds for which the debarment was imposed; (2) a bona fide change in ownership or management; (3) material evidence discovered after debarment was imposed; or (4) any other reason that is in the best interests of the Commission.
- H. The Contractor Hearing Board will consider a request for review of the debarment determination only where (1) the Borrower has been debarred for a period longer than five years; (2) the debarment has been in effect for at least five years; and (3) the request is in writing, states one or more of the ground for reduction of the debarment period or termination of the debarment, and includes supporting documentation. Upon receiving an

appropriate request, the Contractor Hearing Board will provide notice of the hearing on the request. At the hearing, the Contractor Hearing Board shall conduct a hearing where evidence on the proposed reduction of debarment period or termination of debarment is presented. This hearing shall be conducted and the request for review decided by the Contractor Hearing Board pursuant to the same procedures as for a debarment Hearing.

The Contractor Hearing Board's proposed decision shall contain a recommendation on the request to reduce the period of debarment or terminate the debarment. The Contractor Hearing Board shall present its proposed decision and recommendation to the Board of Commissioners. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.

- I. These terms shall also apply to subcontractors and subconsultants of County, HACOLA, or Commission contractors, consultants, vendors and agencies.

17. Section 3 of the Housing and Community Development Act of 1968, as Amended

- A. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.
- C. The Borrower agrees to send to each labor organization or representative of workers with which the Borrower has a collective bargaining Agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Borrower's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the

person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

- D. The Borrower agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. The Borrower will not subcontract with any subcontractor where the Borrower has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.
- E. The Borrower will certify that any vacant employment positions, including training positions, that are filled (1) after the Borrower is selected but before the Agreement is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the Borrower's obligations under 24 CFR Part 135.
- F. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this Agreement. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this Agreement that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

18. Barriers For the Disabled

The Project shall be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

19. Lead-Based Paint

Borrower and its contractors and subcontractors shall not use lead-based paint in construction or maintenance of the Project. Borrower shall cause this provision to be incorporated in all contracts and subcontracts for work performed on the Site which involve the application of paint.

20. Notice To Employees Regarding The Safely Surrendered Baby Law

Borrower shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit____ (title) of this Agreement and is also available on the Internet at www.babysafela.org for printing purposes.

21. Borrower's Acknowledgment of Commission's Commitment To The Safely Surrendered Baby Law

Borrower acknowledges that the Commission places a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is the Commission's policy to encourage all Commission Borrowers to voluntarily post the "Safely Surrendered Baby Law" poster in a prominent position at the Borrower's place of business. Borrower will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The Department of Children and Family Services of the County of Los Angeles will supply Borrower with the poster to be used.

22. Lobbyist Ordinances

Federal Lobbyist Requirements: Borrower is prohibited by the Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments, and HUD's 24 CFR Part 87, from using federally appropriated funds for the purpose of influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, loan or cooperative Agreement, and any extension, continuation, renewal, amendment or modification of said documents.

Borrower must certify in writing on the Federal Lobbyist Requirements Certification form that they are familiar with the Federal Lobbyist Requirements and that all persons and/or subcontractors acting on behalf of the Borrower will comply with the Lobbyist Requirements.

Failure on the part of the Borrower or persons/subcontractors acting on behalf of the Borrower to fully comply with the Federal Lobbyist Requirements may be subject to civil penalties.

23. Compliance With Jury Service Program.

- A. Unless Borrower has demonstrated to the Commission satisfaction either that Borrower is not a "Contractor" as defined under the Jury Service Program or that Borrower qualifies for an exception to the Jury Service Program, Borrower shall have and adhere to a written policy that provides that its Employees shall receive

from the Borrower, on an annual basis, no less than five days of regular pay for actual jury service. The policy may provide that Employees deposit any fees received for such jury service with the Borrower or that the Borrower deduct from the Employee's regular pay the fees received for jury service.

- B. For purposes of this Section, "Contractor" means a person, partnership, corporation or other entity which has a contract with the County or a subcontract with a County contractor and has received or will receive an aggregate sum of \$50,000 or more in any 12-month period under one or more County contracts or subcontracts. "Employee" means any California resident who is a full time employee of Borrower. "Full time" means 40 hours or more worked per week, or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) Borrower has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If Borrower uses any subcontractor to perform services for the County under the Contract, the subcontractor shall also be subject to the provisions of this Section. The provisions of this Section shall be inserted into any such subcontract Contract and a copy of the Jury Service Program shall be attached to the Contract.
- C. If the Borrower is not required to comply with the Jury Service Program when the Contract commences, Borrower shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and Borrower shall immediately notify County if Borrower at any time either comes within the Jury Service Program's definition of "Contractor" or if Borrower no longer qualifies for an exception to the Program. In either event, Borrower shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during the Contract and at its sole discretion, that Borrower demonstrate to the County's satisfaction that Borrower either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Borrower continues to qualify for an exception to the Program.
- D. Borrower's violation of this Section of the contract may constitute a material breach of the Contract. In the event of such material breach, County may, in its sole discretion, terminate the Contract and/or bar Borrower from the award of future County contracts for a period of time consistent with the seriousness of the breach.

24. Borrower's Charitable Activities Compliance

The Supervision of Trustees and Fundraisers For Charitable Purposes Act regulates entities receiving or raising charitable contributions. The "Nonprofit Integrity Act of 2004" (SB 1262, Chapter 919) increased Charitable Purposes Act requirements. By requiring Borrowers to complete the "Charitable Contributions

Certificate” form included as Exhibit “___,” the Commission seeks to ensure that all Commission borrowers that receive or raise charitable contributions comply with California law in order to protect the Commission and its taxpayers. A Borrower that received or raises charitable contributions without complying with its obligations under California law commits a material breach subjecting it to either contract termination or debarment proceedings, or both.

EXHIBIT "M" TO LOAN AGREEMENT
ENVIRONMENTAL SPECIAL CONDITIONS

Not Applicable

EXHIBIT "N" TO LOAN AGREEMENT
CONSTRUCTION REQUIREMENTS

EXHIBIT "O" TO LOAN AGREEMENT

FEDERAL WAGE DECISION

Not Applicable

EXHIBIT "P" TO LOAN AGREEMENT

SUBORDINATION AGREEMENT

EXHIBIT "Q" TO LOAN AGREEMENT

SUPPORTIVE SERVICES

EXHIBIT "R" TO LOAN AGREEMENT
DESIGN and ACCESSIBILITY GUIDELINES

COMMUNITY DEVELOPMENT COMMISSION
COUNTY OF LOS ANGELES



DESIGN GUIDELINES FOR RENTAL
HOUSING

Community Development Commission of the County of Los Angeles
Minimum Construction Standards/Design Guidelines
For RENTAL Housing Developments

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Commission / HACOLA Design Guidelines

These Design Guidelines are used to perform review of Schematic Designs, Design Development Drawings and/or Construction Drawings. For purposes of NOFA application evaluation, proposals will be reviewed on items A. 1-7, B.1-11, C.1-6, and D. listed below. Item E items are provided here for information to prepare technical drawings.

A. Site

1. Open Space for New Construction

Private Area: 60 sq. ft. per ground floor unit, and 30 sq. ft. per non-ground floor unit, with a minimum dimension of 5 ft. Area may be a patio, deck, porch, yard or balcony. Primary access to private open space should not be from bedrooms.

Common Area (not including circulation or required front and sideyard setbacks unless incorporated into larger usable space):

0 -10 Units	30 sq. ft. per unit.
11-25 Units	20 sq. ft. per unit
26-50 Units	17.5 sq. ft. per unit
51+ Units	15 sq. ft. per unit

2. Landscaping

- Drought Tolerant
- Less lawn and more drought tolerant ground covers/shrubs is encouraged.
- All new planted areas to be heavily mulched for water conservation.
- Automatic irrigation system to be provided.
- 1 – 24” box shade tree in front yard for every 50’ of street frontage.
- All landscaped areas or planter boxes must be accessible for maintenance.
- Provide deciduous trees to shade south windows and evergreen trees to shade west windows.
- Preliminary plans must be prepared. The final Plans must be prepared by a landscape architect licensed in the State of California.

3. Fencing

- If used, all wrought iron to be painted a dark color.
- Line posts shall be galvanized.
- All front yard and street front fencing must be setback at least 12” from the sidewalk with a landscape strip.
- Common entry gates must have automatic closers.
- Concrete block walls facing streets shall incorporate decorative designs or be accompanied by landscaping such as vines to soften the appearance of the walls.

4. Trash Collection
 - Trash enclosure for dumpsters shall have a concrete pad, CMU walls, 3x12 wood crash rails on 3 sides of the interior, and heavy-duty metal gates with perforated metal cladding.
 - The gates should be located 6 inches off the ground to improve surveillance into the area to reduce loitering.
5. Curbs
 - Provide concrete curbs at or around all drives and parking areas
6. Building Orientation
 - Orient building to maximize solar access during cooler months and to control it during warmer months.
7. Pedestrian Hardscape Areas
 - Where appropriate, permeable paving materials are recommended (e.g. pervious concrete, turf block, pavers, etc.).
8. Building Placement
 - Maintain the existing setback patterns within the vicinity of the building.
 - Avoid locating a building far in front of or far behind the average setback lines of the properties located on either side of the proposed project.
9. Parking
 - Whenever possible, locate parking towards the rear of the site to minimize its impact on the street.
 - On large projects consider subterranean parking to free up open space at grade level.
 - If the garage must be out front, consider multiple doors and recessing the doors to minimize the affect.
 - Consider placing second story massing over garage to bring the living space closer to the street and take some attention off of the garage.
 - Parking area should have adequate lighting and provide a safe and secure environment. Minimize the walking distance to insure a short and direct access to the units.
 - Provide clear separation between vehicles and pedestrians.
 - Landscaping should be used to soften the visual impact of large parking areas.
 - Consider improving unavoidable blank walls with decorative artwork, display cases, vines, and good quality durable materials to minimize graffiti and deterioration.

B. Building Exterior

1. Height

- Relate the overall height of the new structure to that of adjacent structures and those of the immediate neighborhood.
 - Avoid new construction that varies greatly in height from other residential buildings in the area.
 - Consider relating the floor levels of the new structure to those of the adjacent uses on infill buildings.
2. Scale
- Relate the size and bulk of the new structure to the prevalent scale in other buildings the immediate area.
3. Massing
- Consider stepping larger structures down towards the street in areas where the predominate scale along the street is single story and pedestrian oriented.
 - Consider breaking larger buildings into smaller pieces.
4. Form
- Consider utilizing a variety of building forms and roof shapes instead of box-like forms with large, unvaried roofs.
 - Make sure forms and shapes work together to create a cohesive whole project.
 - Provide elements such as porches, balconies, landscaping, recessed openings and variation in materials to break up large masses and add visual complexity.
5. Size and Rhythm of Openings
- Respect the rhythm and proportion of openings prevalent in the immediate area surrounding the new building.
6. Materials and Colors
- Use materials and color for the facade treatment and roofing that is compatible with those in similar good quality buildings in the surrounding neighborhood or region.
 - Avoid introducing drastically different colors and materials than those of the surrounding neighborhood.
 - Use materials that do not require extensive maintenance.
7. Individual Identities
- Whenever possible, divide repetitive structures into smaller clusters to promote individuality and a sense of place for residents.
 - Consider strategies that allow residents to enhance the exterior appearance of their units.

8. Entries for Projects and Units
 - Provide a prominent and visible entry.
 - Consider transitional spaces such as an entry porch to help make the transition from public to semi-private or private space.
 - Consider issues of shelter, security, lighting and identity.
9. Roof Top Equipment
 - All roof top equipment should be screened from view.
 - No free standing wood screens permitted.
 - Screening shall be achieved through the use of parapet walls and other permanent building features.
10. Windows
 - Window size and placement should maximize day-lighting and natural ventilation.

Placement should relate to building interior layout.

- Plant-on mullions are discouraged.
 - Consider ways to screen and physically separate ground floor windows from sidewalk to provide privacy and security.
 - Low-emissivity glass is required for all south and west facing windows and encouraged for east facing windows.
 - Overhangs for south facing windows are recommended.
11. Roofing
 - Light colors encouraged for energy benefit.

C. Building Interior

1. Unit Access / Corridors
 - Avoid corridors of excessive length, i.e greater than 100 feet of unbroken length.
 - Whenever possible avoid corridors that are not naturally lighted.
 - Providing natural ventilation is encouraged.

2. Unit Sizes

Studio:	400-500 sq. ft.
1-Bedroom	500-700 sq. ft.
2-Bedroom	750 - 950 sq. ft.
3-Bedroom	1,000 - 1,200 sq. ft.
4-Bedroom	1,200 - 1,400 sq. ft.

3. Room Size Range & Features

	<u>One Wall Length Min.</u>	<u>Room Size</u>
Living Area	9 ft.	150-220 sq. ft.
Dining Area	Comfortably seat 2 people per bedroom	
Kitchen Counters	5 ft. long by 2 ft. deep for 1 st bedroom plus 1.5 ft. per additional bedroom (measurement does not include sink and cooktop areas, and is measured along the front edge of counter).	
Cabinets	5 ln. ft. of base cabinets for 1 st bedroom plus 1.5 ln. ft. per additional bedroom.	
Stove / cook top	30" wide and at least 12" away from any sidewall for all 2 bedroom and larger units. Minimum 24" wide and at least 12" away from any sidewall for all 1 bedroom and smaller units.	
Refrigerators	12 cu. ft. for 1-bedroom or less. 16 cu. ft. for 2-bedrooms. 18 cu. ft. for 3-bedrooms or more.	
Dishwashers	In all 2-4 bedroom units.	
Garbage disposals	(Recommended)	

	<u>One Wall Length Min.</u>	<u>Room Size</u>
Bedroom	9 ft.	90-120 sq. ft.
Bedroom Storage		10 sq. ft.min.
Master Bedroom	12 ft.	150-200 sq. ft.
Master Bedroom Storage		20 sq. ft. min.
General Storage		15 sq. ft.
Linen Storage		4 sq. ft.

4. Common Indoor Areas

Community Room	<p>A minimum of 400 sq. ft. not including laundry area and a maximum of 20% of the residential floor area for developments of 15 units or less.</p> <p>A minimum of 600 sq. ft. not including laundry area and a maximum of 15% of the residential floor area for developments with 16 units or more.</p> <p>Provide a public restroom and microwave alcove.</p>
Laundry Area	<p>One washer and dryer for every 10 units in a common laundry area. As an alternative, washers and dryers, not just hook-ups, may be provided in individual units.</p> <p>Common laundry areas to have a minimum 6' long countertop surface for folding cloths.</p> <p>Adequate natural light and ventilation.</p>

5. HVAC

Provide air conditioning for all units separately metered units.

Whole house and ceiling fans may be used in lieu of air conditioning.
Utilizing hydronic heating/hot water systems is encouraged.

6. Elevators

Provide elevators for all structures with three floors or more and for all senior or disabled projects of two floors or more and for all senior or disabled projects of two floors or more.

D. Crime Prevention Through Environmental Design (CPTED) (*Required*)

The Commission / HACOLA supports creating safe neighborhoods through the implementation of Crime Prevention Through Environmental Design (CPTED). The basic premise of CPTED is that the nature of buildings and layout of a community can attract offenders and make it easier for them to commit crimes and escape arrest. CPTED focuses on eliminating these features at the design stage to reduce crime and the fear of crime.

The five overlapping concepts or strategies which are incorporated in CPTED are:

- Access Control

- Surveillance
- Territorial Reinforcement
- Activity Support
- Image and Maintenance

Architectural designers should make sure you are:

- Providing clear border definitions of controlled space.
- Providing clearly marked transitional zones that indicate movement from public to semi-public to private space.
- Relocating gathering areas to locations with natural surveillance.
- Placing unsafe activities in safe spots to overcome the vulnerability of these activities with natural surveillance and access control of the safe area.
- Redesigning space to increase the perception or reality of natural surveillance.
- Carefully planning a reduced number of entry points.
- Placing signage to advise visitors what the access restrictions are and where they must go if they are authorized to enter your territory.
- Eliminating blind spots around the project site where individuals approaching the site cannot be observed.
- Including fencing and landscaping to direct the circulation flow of persons to a select observable pathway.
- Making sure that landscape plant material that is selected will not block windows and eliminate opportunities for natural surveillance.
- Considering the use of reflective glass so that you can see out but outsiders cannot see in.
- Plant low vegetation with thorns or other repelling qualities adjacent to first floor windows to prevent outsiders from approaching windows.
- Providing good outdoor lighting standards that illuminate pathways evenly and without shadow pockets.
- Prewiring for future security cameras is recommended.

E. ADDITIONAL INTERIOR & EXTERIOR GUIDELINES (to be used in the review of Construction Documents)

1. Plastic Laminate Countertops at All Wet Locations
 - Must be bullnosed on one side or have a waterfall edge on all sides and an integral splash.
 - Solid surfacing or ceramic tile are acceptable alternates to plastic laminate.
2. Faucets
 - Provide washerless faucets.
3. Hose Bibs
 - Provide vandal resistant hose bibs.

4. Communication Wiring

- Provide a telephone jack in all bedrooms and in one common area.
- Provide CAT 5 wiring to at least one location per unit.

5. Cable Television

- Provide a minimum of one jack in the living room for units with 2 bedrooms or less.
- Provide a minimum of one jack in at least one bedroom plus one in the living room for units with 3 bedrooms or more.

6. Carbon Monoxide Detectors

- Provide at least one hardwired carbon monoxide detector with battery back up near the bedrooms.
- No combination smoke detection – carbon monoxide shall be used.

7. Fire Extinguishers

- Provide recessed fire extinguishers.
- Fire extinguishers to be vandal resistant.

8. Entry Security System

- Provide security entry system (e.g. intercoms, key cards, combination pads, etc.) for all rental developments.

9. Doors

- Entry doors to be solid core 1 3/4" thick minimum with reinforced latch and viewfinder.
- Non-removable hinge pins required on all out swing doors.
- No windows allowed within 36" of the latch side of the door.
- Interior doors shall have a 1 3/8" thick hollow core, flush, paint grade hardboard face and prime coated for enamel on all six sides.
- Hardboard faces or wood veneers on pre-finished interior built-up doors shall be a minimum of 1/8" thick.

10. Door Hardware

- Use medium or premium grade hardware.

Suggested hardware:

- Schlage AL-Series keyed lever lock
- Grade 2 or higher deadbolts
- Interior doorstops shall be provided using spring type, screwed to door or wood base, or steel plated rubber wall stops.

11. Windows

- Use medium or premium grade aluminum windows.
- Vinyl or wood/clad windows are acceptable alternates.
- Suggested manufacturers and series:
 - Milgard 1000 Series (Aluminum)
 - International 6200 Series (Aluminum)
 - International Vinyl Series 5500 or 5300
 - Milgard 5120 Classic Series (Vinyl)
 - Milgard 6110 Styleline Series (Vinyl)
- Screens on all operable windows.
- All aluminum windows and sliding glass doors shall have a clear anodized or baked enamel finish; mill finish not acceptable.

12. Window Coverings

- Metal horizontal blinds are not permitted.

13. Medicine Cabinets

- Plastic medicine cabinets are not permitted.
- Provide recessed cabinets.

14. Bath Tubs and Shower Enclosures

- Use cast iron tubs with ceramic tile surrounds over backer board or high quality fiberglass tub/shower/surrounds
- Family units must have at least one tub per unit.
- Suggested Manufacturer and Model:
 - LASCO Model 2603 3 CT Series with reinforced flat wells for adaptable units or equal.
 - LASCO Model 2603-SMH with reinforced flat wells and grab bars for ADA units or equal.

15. Blocking

- Provide blocking to provide adequate support for fixtures, cabinets, bathroom accessories, hardware, and other equipment suspended from ceilings or mounted on walls.

16. Carpeting

- Minimum 10-year performance warranty and the following:
 - Lifetime – Moisture resistant
 - Lifetime – Dimensional Stability
 - Lifetime – No Edge Ravel
 - Lifetime – No Delamination
 - Lifetime – No Zippering
- Provide wood base, rubber or vinyl coved base at carpet locations.
- Transition strips shall be provided between carpet and sheet vinyl or other flooring types.

17. Sheet Flooring

- Use .080" minimum thickness - Type II Grade A. For family rental units avoid seams and provide 4" cove base at walls in wet locations including bathrooms, kitchens and laundry rooms.
- Linoleum is encouraged over vinyl for superior environmental qualities.

18. Cabinetry

- For all developments except senior housing, cabinets shall be constructed as follows:

The Manual of Millwork Standards of the Woodwork Industry published by WIC (Woodwork Institute of California) custom grade for material, hardware and joinery shall apply to all new cabinets. WIC certification process shall not be required at this time. Instead, technical specifications and drawings will be checked for incorporation of WIC custom grade language. In addition, field inspections by HACOLA may occur to verify compliance with cabinet standards.

19. Kitchen Hoods

- Unvented hoods are not recommended for rehab projects and not permitted on new construction projects.

20. Bathroom Ventilation

- Windows are recommended in addition to a bathroom exhaust fan that is capable of providing a minimum of five air changes per hour.

21. Appliances

- Select Energy Star appliances.

22. Wood Structural Members

- The use of engineered wood for headers, joists and sheathing is encouraged.

23. Recycled Content Materials

- The use of recycled content insulation, drywall, carpet and other "green" materials is encouraged.

24. Indoor Air Quality Materials

- Use low- or no-VOC paint, formaldehyde-free or fully sealed material for cabinets and counters.

25. Roofing

- Minimum 20-year roof.
- If asphalt shingle use "architectural" profile.

26. Roof Drainage

- Locate downspouts to drain either into splash blocks, which spill on to planter areas large enough to absorb outflow or directly into an underground drain system.

27. Landscape Edging

- Provide redwood bender board edging or equal at planter bed and turf boundaries.

28. Lighting

- Use fluorescent light fixtures for at least 75% of light fixtures or comparable energy lighting for the project's total lighting including common areas.

Accessibility Requirements

A. City of Industry Assisted Projects

All developments in California must be designed and constructed in a manner that allows access to and use by disabled persons in accordance with the California Fair Employment and Housing Act (Article 2, Section 12955 of the Government Code, et al). Where projects have at least four condominium units or three rental apartment units, the minimum requirements are summarized below:

1. All multifamily dwellings shall have at least one building entrance on an accessible route, unless it is impracticable due to terrain or unusual site characteristics.
2. Multifamily dwellings with a building entrance on an accessible route must also comply with the following:
 - a. Public and common areas are readily accessible to and usable by persons with disabilities;
 - b. All doors designed to allow passage into and within all premises are sufficiently wide enough for wheelchair accessibility.
 - c. All premises within the multifamily dwelling units shall contain:
 - i. An accessible route into and through the unit;
 - ii. Switches, outlets, thermostats and other environmental controls are in accessible locations
 - iii. Reinforcements in bathroom walls to allow later installation of grab bars for toilet, tub, shower stall and shower seat, where those facilities are provided.
 - iv. Usable kitchen and bathrooms to allow a person in a wheelchair to maneuver about.
3. In multistory buildings of at least four condominium units or at least three rental apartment units and there is no elevator, 10 percent of the units must have an accessible route to the primary entry level entrance and meet the above requirements with respect to the ground floor, at least one bathroom on the primary entry level and the public and common areas.
4. A new housing development for senior citizens must be designed to meet the physical and social needs of senior citizens by including all of the following elements (California Civil Code Sec. 51.2 (d)):
 - a. Entryways, walkways, and hallways in the common areas of the development, and doorways and paths of access to and within the housing units, shall be as wide as required by current laws applicable to new multifamily housing construction for provision of access to persons using a standard-width wheelchair.
 - b. Walkways and hallways in the common areas of the development shall be equipped with standard height railings or grab bars to assist persons who have difficulty with walking.

- c. Walkways and hallways in the common areas shall have lighting conditions which are of sufficient brightness to assist persons who have difficulty seeing.
 - d. Access to all common areas and housing units within the development shall be provided without use of stairs, either by means of an elevator or sloped walking ramps.
 - e. The development shall be designed to encourage social contact by providing at least one common room and at least some common open space.
 - f. Refuse collection shall be provided in a manner that requires a minimum of physical exertion by residents.
 - g. The development shall comply with all other applicable requirements for access and design imposed by law, including, but not limited to, the Fair Housing Act (42 U.S.C. Sec. 3601 et seq.), the Americans with Disabilities Act (42 U.S.C. Sec. 12101 et seq.), and the regulations promulgated at Title 24 of the California Code of Regulations which relate to access for persons with disabilities or handicaps. Nothing in this section shall be construed to limit or reduce any right or obligation applicable under those laws.
 - h. In addition, developers of senior citizen housing developments constructed on or after January 1, 2001 are encouraged, but not required, to implement in their construction the principles of Universal Design as promulgated by the Center for Universal Design at the North Carolina State University, or any other design guidelines for home modifications for seniors which may be promulgated in the future by the Department of Aging.
5. All new for-sale housing: Developer is required to offer the buyer a list of home entrance, interior routes of travel, kitchen, and bathroom modifications that would make the home accessible to persons with disabilities. The buyer must indicate at what point in the construction process the buyer must notify the developer that the features are desired. These modifications are to be made at the buyer's expense.

Comparison of Accessibility Requirements

	California	Section 504	Fair Housing Act
New Construction Multifamily Rental	All	5 or more units	4 or more units
Rehabilitation of Rental Units	N/A	Substantial of 15 units or more vs. minor rehab	N/A
Homeownership multifamily	All	5 or more units	4 or more units
Multistory buildings	4 condo or 3 rental apts	N/A	N/A

B. HOME and/or CDBG Assisted Projects

In addition to compliance with state requirements (above), developments using HOME and/or CDBG funding must also comply with Section 504 of the Rehabilitation Act of 1973, the Fair Housing Act, and HUD's implementation Regulations (24 CFR Parts 8 and 100, respectively), which prohibit discrimination based on disability and establish program accessibility and physical accessibility requirements.

1. Applicability

- a. For purposes of this RFP, newly-constructed multifamily rental housing with four or more units shall adhere to both Section 504 and Fair Housing Act design requirements. Rehabilitated multifamily housing shall adhere to Section 504 requirements only. New homeownership covered multifamily housing (e.g., condominiums and single story townhouses) of four or more units shall adhere to Fair Housing Act design requirements. Non-elevator townhouses which are multi-story, that have finished living space on more than one floor are exempt.
- b. Section 504 design requirements are satisfied when the development is designed in compliance with the technical criteria in the Uniform Federal Accessibility Standards. Fair Housing Act design requirements found in HUD's Fair Housing Act Design Manual are also required. For new construction of rental projects where two or more accessibility standards apply, the developer is required to follow and apply both standards.

2. Section 504 Requirements Summary

For the convenience of the reader, a brief summary of the requirements of Section 504 is presented here. However, to ensure full compliance, the developer must obtain and use a copy of the Uniform Federal Accessibility Standards (UFAS) available at the HUD Distribution Center at 1-800-767-7468 or at www.access-board.gov/gs.htm.

- a. New construction: Minimum of 5% of the units (not less than one unit) must be accessible to persons with mobility impairments, and an additional minimum 2% of units (not less than one unit) must be accessible to persons with sensory impairments.
- b. Substantial rehabilitation of 15 or more units where rehab cost will be at least 75% of replacement cost, 1.a. above is required.
- c. Where alterations or rehabilitation is less than substantial, the alterations must, to the maximum extent feasible, make the units accessible to and usable by persons with disabilities, until a minimum of 5% of the units (not less than one unit) are accessible to person with mobility

impairments. Where alterations of single elements or spaces amount to an alteration of a unit, the entire unit shall be made accessible. Alterations to common spaces must make those areas accessible. Accessibility is not required if doing so would impose undue financial and administrative burdens on the project.

3. Basic Fair Housing Design Requirements (Fair Housing Act, 24 CFR 100.205):

- a. the public and common use portions of such dwellings are readily accessible to and usable by disabled persons;
- b. all the doors designed to allow passage into and within the premises within such dwellings are sufficiently wide to allow passage by disabled persons in wheelchairs (36" minimum); and
- c. all premises within such dwellings contain the following features of adaptive design:
 - 1) an accessible route into and through the dwelling;
 - 2) light switches, electrical outlets, thermostats, and other environmental controls in accessible locations;
 - 3) reinforcements in bathroom walls to allow later installation of grab bars; and
 - 4) usable kitchens and bathrooms such that an individual in a wheelchair can maneuver about the space.
- d. Visitability Concept is recommended for incorporation whenever practical to enable persons with disabilities to visit relatives, friends, and neighbors in their homes within a community. This also expands the availability of housing options for persons who may not require full accessibility. Further information can be found at <http://www.huduser.org/publications/pubasst/strategies.html>.
- e. Design Guidelines: To ensure full compliance, the developer must obtain and use a copy of:
 - 1) HUD's Fair Housing Accessibility Guidelines (published in the Federal Register on March 6, 1992 (56 F.R. 9472)), and
 - 2) HUD's Fair Housing Act Design ManualAll are available from the HUD Distribution Center (see above) or www.huduser.org/Publications/destech/fairhousing.html

4. For-sale housing must be made accessible upon the request of the prospective buyer if an expected occupant has a disability that requires accessibility features. The design must be able to accommodate such a request (Section 504) and the changes shall be at the buyer's expense. If the design of the unit precludes the developer from making requested changes, HUD may find the participating jurisdiction in violation of Section 504 requirements.

5. Program Accessibility and Marketing - Rentals (Section 504 24 CFR 8.20)

- a. Accessible units must be, to the maximum extent feasible, distributed throughout the project and site and made available in a sufficient range of sizes and amenities so as not to limit choice.
 - b. Owners and managers must adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals with disabilities.
 - c. When an accessible unit becomes vacant, before offering it to a non-handicapped individual, it should be offered: first, to a current occupant of the project requiring the accessibility feature and, second, to an eligible qualified applicant on the waiting list requiring the accessibility features.
 - d. Provide an accessibility feature or policy modification to accommodate a disability when an applicant or tenant requires such accessible feature or policy modification; unless doing so would result in an undue financial and administrative burden, in which case, the tenant must pay the cost of the modification.
 - e. Disseminate information in a manner accessible to persons with disabilities to increase effectiveness of outreach and ongoing communications (e.g., Telecommunications Devices for the Deaf (TTY), materials on tape or in Braille, accessible locations for activities and meetings, etc.)
6. Program Accessibility and Marketing – Homeownership
- a. Disseminate information in a manner accessible to persons with disabilities to increase effectiveness of outreach and ongoing communications (e.g., Telecommunications Devices for the Deaf (TTY), materials on tape or in Braille, accessible locations for activities and meetings, etc.)

C. Records for all projects

All project architects must submit a certification that the development has been designed and constructed to be accessible to persons with disabilities, in compliance with the California Fair Employment and Housing Act, Section 504 and the Fair Housing Act requirements.

D. Definitions:

- 1. California:
 - a. covered multifamily dwellings: buildings with at least 4 condominium units or at least 3 rental apartment units if the buildings have at least one elevator and the ground floor units of buildings without an elevator.
 - b. multistory dwellings: a condominium dwelling unit or rental apartment unit with finished living space on one floor and the floor immediately above or below it (i.e., townhouse)
- 2. Section 504
 - a. multifamily housing project: Multifamily means 5 or more dwelling units. A project is defined as the whole of one or more residential structures and related common spaces which are covered by a single contract, or

designated as a whole for processing purposes, whether or not all the units are located in the same building, or on a common site. 5 single family homes covered by a single contract or a single building with 5 units each constitute a multifamily housing project.

3. Fair Housing Act

- a. covered multifamily dwellings: (1) buildings with four or more units, if such buildings have at least one elevator; and (2) ground floor units in other buildings with four or more units. Covered units include: apartments, condominiums, single-story townhouses, assisted living facilities and single-room occupancy units.

Non-elevator townhouses which are multi-story are not covered.

EXHIBIT "S" TO LOAN AGREEMENT

AFFIRMATIVE MARKETING

LOS ANGELES COUNTY
COMMUNITY DEVELOPMENT COMMISSION
AND
HOUSING AUTHORITY

AFFIRMATIVE MARKETING

In accordance with the California Fair Employment and Housing Act and the policy of the Los Angeles County Community Development Commission (Commission), and the Los Angeles County Housing Authority (Housing Authority), property owners or their designees must adhere to the following affirmative marketing guidelines in order to create awareness for the general public and certain community groups as to the availability of units designated for lower, low and moderate-income tenants.

APPLICABILITY

Property owners or their designees are required to provide an affirmative marketing plan and procedures for all developments with designated units. Procedures to be used must identify how persons in the housing market area who are not likely to apply for the housing without special outreach shall be informed and made aware of available affordable housing opportunities. The Commission has identified two groups as least likely to apply without special outreach efforts, namely, African-American and Latino persons.

THE AFFIRMATIVE MARKETING PLAN

The Property Owner's or their designee's Affirmative Marketing Plan shall consist of a written marketing strategy designed to provide information and to attract eligible persons in the housing market area to the available units without regard to race, color, national origin, sex, religion, marital and familial status, disability, medical condition, sexual orientation, or ancestry. It shall describe initial advertising, outreach (community contacts) and other marketing activities, which will inform potential renters of the availability of the units. It shall also outline an outreach program which includes special measures designed to attract those groups identified as least likely to apply, and other efforts designed to attract persons from the total eligible population.

Insert Equal Housing Opportunity logotype, statement or slogan on all written outreach tools (i.e. signs, advertisements, brochures, direct mail solicitations, press releases, etc.)

Display prominently the Fair Housing poster at the leasing office and project site from the beginning of construction through occupancy. (24 CFR 110.10). This poster must be at a minimum 11 inches by 14 inches (24 CFR 110.25)

Register the units on a County-supported housing data base or website (socialserve.com), upon request of CDC/HACOLA.

In addition to the above, the Affirmative Fair Housing Marketing Plan shall outline:

- a. Commercial Media to be used (i.e., community newspapers and non-English language newspapers, radio, television, billboards, religious or local real estate publications, etc.).
- b. Marketing efforts to be used (i.e., brochures, letters, handouts, direct mail, signs, etc.)
- c. Community Contacts to supplement formal communications media for the purpose of soliciting group(s) least likely to apply for the available housing. They should be individuals or organizations that have direct and frequent contact with those identified as least likely to apply (i.e., service agencies, community organizations, places of worship, etc.). The contacts should also be chosen on the basis of their positions of influence within the general community and the particular target group. The Proposer must agree to establish and maintain contact with the identified contacts.
- d. Specify means to assure that information regarding the availability of accessible/adaptable rental units reaches eligible individuals with disabilities will be disseminated to increase effectiveness of outreach and communications (e.g., Telecommunications Devices for the Deaf (TTY), materials on tape or in Braille, accessible locations for activities and meetings, etc.)
- e. State that access to all leasing offices for the project will be accessible to persons with disabilities as required by the American with Disabilities Act.
- f. The written Affirmative Fair Housing Marketing Plan for each project shall be accompanied by a completed Affirmative Fair Housing Marketing Plan Summary (attached).

B. Seniors

Housing designed and operated for seniors are exempt from the Fair Housing Act regarding familial status and the following conditions must be met:

1. 80% occupancy by seniors
2. intended and operated for seniors
3. Age of occupants must be verified.

TENANT SELECTION

1. The Property Owner or their designee shall maintain records of all prospective tenant applicants, including their race, ethnicity and gender, reasons for denial of application, placed on a waiting list, etc.

2. The Property Owner or their designee shall also provide for the selection of applicants from a written waiting list in the chronological order of their application, insofar as is practicable, and provide prompt written notification to any rejected applicants of the grounds for any rejection.
2. The Property Owner or their designee must certify that it has affirmatively furthered fair housing at the time of lease up and annually. Review of this affirmative marketing effort for rental projects will be conducted in conjunction with the Annual Owner's Tenant Certification process.

Affirmative Fair Housing Marketing Plan Summary

1a. Applicant's Name, Address (including city, state & zip code & phone number)	1b. Project's Name, Location (including city, and zip code)	
1c. Number of Units	1d. Price or Rental Range From \$ To \$	1e. For Multifamily Housing Only <input type="checkbox"/> Elderly <input type="checkbox"/> Non-Elderly
1f. Approximate Starting Dates (mm/dd/yyyy) Advertising _____ Occupancy _____	1g. Housing Market Area	
	1h. Census Tract	
1i. Managing/Sales Agent's Name & Address (including city, state and zip code)		

2. Type of Affirmative Marketing Plan (mark only one)

☐ Project Plan
 ☐ Minority Area
☐ White (non-minority) Area
 ☐ Mixed Area (with _____% minority residents)

3. Direction of Marketing Activity (indicate which group(s) in the housing market area are least likely to apply for the housing because of its location and other factors without special outreach efforts)

☐ White (non-Hispanic)
 ☐ Hispanic
 ☐ American Indian or Alaskan Native
☐ Black (non-Hispanic)
 ☐ Asian or Pacific Islander
 ☐ Persons with Disabilities

4a. Marketing Program: Commercial Media (Check the type of media to be used to advertise the availability of this housing)

☐ Newspaper/Publications
 ☐ Radio
 ☐ TV
 ☐ Billboards
 ☐ Other (specify)

Name of Newspaper, Radio or TV Station	Racial/Ethnic Identification of Readers/Audience	Size/Duration of Advertising

4b. Marketing Program: Brochures, Signs, and HUD's Fair Housing Poster

(1) Will brochures, letters, or handouts be used to advertise? ☐ Yes ☐ No If "Yes", attach a copy or submit when available.

(2) For project site sign, indicate sign size ____x____; Logotype size ____x____. Attach a photograph of project sign or submit when available.

(3) HUD's Fair Housing Poster must be conspicuously displayed wherever sales/rentals and showings take place. Fair Housing Posters will be displayed in the:

☐ Sales/Rental Office
 ☐ Real Estate Office
 ☐ Model Unit
 ☐ Other (specify)

Affirmative Fair Housing Marketing Plan Summary

4c. Community Contacts. To further inform the group(s) least likely to apply about the availability of the housing, the applicant agrees to establish and maintain contact with the groups/organizations listed below what are located in the housing market area or SMSA. If more space is needed, attach an additional sheet. Notify the Commission or Housing Authority of any changes in this list. Attach a copy of correspondence to be mailed to these groups/organizations. (Provide all requested information.)

Name of Group or Organization	Racial/Ethnic Identification	Approximate Date (mm/dd/yyyy)	Person Contacted or to be Contacted

Address & Phone Number	Method of Contact	Indicate the specific function the Group / Organization will undertake in implementing the marketing program

5. Future Marketing Activities (Rental Units Only) Mark the box (s) that best describe marketing activities to fill vacancies as they occur after the project has been initially occupied.

- ☐ Newspaper/Publications
☐ Site Signs

☐ Radio
☐ Community Contacts

☐ TV
☐ Other (specify)

☐ Brochures/Leaflets/Handouts

6. Experience and Staff Instructions (See instructions)

6a. Staff has experience ☐ Yes ☐ No

6b. On separate sheets, indicate training to be provided to staff on Federal, State and local fair housing laws

And regulations, as well as this AFHM Plan. Attach a copy of the instructions to staff regarding fair housing.

7. Additional Considerations. Attach additional sheets as needed.

8. Changes and Revisions. By signing this form, the applicant agrees, after appropriate consultation with the Commission or Housing Authority, to change any part of the plan covering a multifamily project to ensure continued compliance with the Commission or Housing Authority Affirmative Marketing requirements.

Signature of person submitting this Plan & Date of Submission (mm/dd/yyyy)

Name (type or print)

Title & Name of Company

Instructions

The Affirmative Fair Housing Marketing Plan requires that each applicant subject to these requirements carry out an affirmative program to attract prospective buyers or tenants of all minority and non-minority groups in the housing market area regardless of race, color, religion, sex, national origin, disability, or familial status. These groups include Whites (Non-Hispanic), members of minority groups, i.e., Blacks (Non-Hispanic), American Indians/Alaskan Natives, Hispanics, Asian/Pacific Islanders, person with disabilities, or families with children in the Standard Metropolitan Statistical Areas (SMSA) or housing market area who may be subject to housing discrimination on the basis of race, color, religion, sex, national origin, disability, or familial status. The applicant shall describe on this form the activities it proposes to carry out during advance marketing, where applicable, and the initial sales rent-up period. The affirmative program also should ensure that any group(s) of persons normally **not** likely to apply for the housing without special outreach efforts (because of existing neighborhood racial or ethnic patterns, location of housing in the SMSA price or other factors), know about the housing, feel welcome to apply and have the opportunity to buy or rent.

Part 1 – Applicant and Project Identification. The applicant may obtain Census Tract location information, item 1i, from local planning agencies, public libraries and other sources of Census Data. For item 1g, specify approximate starting date of marketing activities to the groups targeted for special outreach and the anticipated date of initial occupancy. Item 1j is to be completed only if the applicant is not to implement the plan on its own.

Part 2 – Type of Affirmative Marketing Plan. Applicants for multifamily projects are to submit a Project Plan which describes the marketing program for the particular project or subdivision. Scattered site builders are to submit individual annual plans based on the racial composition of each type of census tract. For example, if a builder plans to construct units in both minority and non-minority census tracts, separate plans shall be submitted for all of the housing proposed for both types.

Part 3 – Direction of Marketing Activity. Considering factors such as price or rental of housing, the racial/ethnic characteristics of the neighborhood in which housing is (or is to be) located, the population within the housing market area, or the disability or familial status of the eligible population, public transportation routes, etc., indicate which group(s) you believe are least likely to apply without special outreach.

Part 4 – Marketing Program. The applicant shall describe the marketing program to be used to attract all segments of the eligible population, especially those groups designated in the Plan as least likely to apply. The applicant shall state: the type of media to be used, the names of newspapers/call letters of radio or TV stations; the identity of the circulation or audience of the media identified in the Plan, e.g., White (Non-Hispanic), Black (Non-Hispanic), Hispanic, Asian-American/Pacific islander, American Indian/Alaskan Native; and the size or duration of newspaper advertising or length and frequency of broadcast advertising. Community contacts include individuals or organizations that are well known in the project area or the locality and that can influence persons within groups considered least likely to apply. Such contacts may include, but need not be limited to: neighborhood, minority and women's organizations, churches, labor unions, employers, public and private agencies, disability advocates, and individuals who are connected with these organizations and/or are well-known in the community.

Part 5 – Future marketing Activities. Self-Explanatory.

Part 6 – Experience and Staff Instructions.

- a. Indicate whether the applicant has previous experience in marketing housing to group(s) identified as least likely to apply for the housing.
- b. Describe the instructions and training given to sales/rental staff. This guidance to staff must include information regarding Federal, State and local fair housing laws and this AFHM Plan. Copies of any written materials should be submitted with the Plan, if such materials are available.

Part 7 – Additional considerations. In this section describe other efforts not mentioned previously which are planned to attract persons in either those groups already identified in the Plan as least likely to apply for the housing or in groups not previously identified in the Plan. Such efforts may include outreach activities to female-headed household and persons with disabilities.

Part 8 – The applicant's authorized agent signs and dates the AFHM Plan. By signing the Plan, the applicant assumes full responsibility for its implementation. The Department may at any time monitor the implementation of the Plan and request modification in its format or content, where the Department deems necessary.

Notice of Intent to Begin Marketing. No later than 90 days prior to the initiation of sales or rental marketing activities, the applicant with an approved Affirmative Fair Housing Marketing Plan shall submit notice of intent to begin marketing. The notification is required by the Affirmative Fair Housing Marketing Plan Compliance requirements.

EXHIBIT "T" TO LOAN AGREEMENT

BABY SAFE FACT SHEET

No shame.

No blame.

No names.

**Newborns can be safely given up
at any Los Angeles County
hospital emergency room or fire station.**



In Los Angeles County:

1-877-BABY SAFE

1-877-222-9723

www.babysafela.org



State of California
Gray Davis, Governor

Health and Human Services Agency
Grantland Johnson, Secretary

Department of Social Services
Rita Saenz, Director



Los Angeles County Board of Supervisors

Gloria Molina, Supervisor, First District
Yvonne Brathwaite Burke, Supervisor, Second District
Zev Yaroslavsky, Supervisor, Third District
Don Knabe, Supervisor, Fourth District
Michael D. Antonovich, Supervisor, Fifth District

This initiative is also supported by First 5 LA and INFO LINE of Los Angeles.

What is the Safely Surrendered Baby Law?

California's Safely Surrendered Baby Law allows parents to give up their baby confidentially. As long as the baby has not been abused or neglected, parents may give up their newborn without fear of arrest or prosecution.

How does it work?

A distressed parent who is unable or unwilling to care for a baby can legally, confidentially and safely give up a baby within three days of birth. The baby must be handed to an employee at a Los Angeles County emergency room or fire station. As long as the child shows no signs of abuse or neglect, no name or other information is required. In case the parent changes his or her mind at a later date and wants the baby back, workers will use bracelets to help connect them to each other. One bracelet will be placed on the baby, and a matching bracelet will be given to the parent.

What if a parent wants the baby back?

Parents who change their minds can begin the process of reclaiming their newborns within 14 days. These parents should call the Los Angeles County Department of Children and Family Services at 1-800-540-4000.

Can only a parent bring in the baby?

In most cases, a parent will bring in the baby. The law allows other people to bring in the baby if they have legal custody.

Does the parent have to call before bringing in the baby?

No. A parent can bring in a baby anytime, 24 hours a day, 7 days a week so long as the parent gives the baby to someone who works at the hospital or fire station.

Does a parent have to tell anything to the people taking the baby?

No. However, hospital personnel will ask the parent to fill out a questionnaire designed to gather important medical history information, which is very useful in caring for the child. Although encouraged, filling out the questionnaire is not required.

What happens to the baby?

The baby will be examined and given medical treatment, if needed. Then the baby will be placed in a pre-adoptive home.

What happens to the parent?

Once the parent(s) has safely turned over the baby, they are free to go.

Why is California doing this?

The purpose of the Safely Surrendered Baby Law is to protect babies from being abandoned by their parents and potentially being hurt or killed. You may have heard tragic stories of babies left in dumpsters or public bathrooms. The parents who committed these acts may have been under severe emotional distress. The mothers may have hidden their pregnancies, fearful of what would happen if their families found out. Because they were afraid and had nowhere to turn for help, they abandoned their infants. Abandoning a baby puts the child in extreme danger. It is also illegal. Too often, it results in the baby's death. Because of the Safely Surrendered Baby Law, this tragedy doesn't ever have to happen in California again.

A baby's story

At 8:30 a.m. on Thursday, July 25, 2002, a healthy newborn baby was brought to St. Bernardine Medical Center in San Bernardino under the provisions of the California Safely Surrendered Baby Law. As the law states, the baby's mother did not have to identify herself. When the baby was brought to the emergency room, he was examined by a pediatrician, who determined that the baby was healthy and doing fine. He was placed with a loving family while the adoption process was started.

Every baby deserves a chance for a healthy life. If someone you know is considering abandoning a newborn, let her know there are other options.

It is best that women seek help to receive proper medical care and counseling while they are pregnant. But at the same time, we want to assure parents who choose not to keep their baby that they will not go to jail if they deliver their babies to safe hands in any Los Angeles County hospital ER or fire station.

Sin pena. Sin culpa. Sin peligro.

**Los recién nacidos pueden ser entregados
en forma segura en la sala de emergencia de
cualquier hospital o en un cuartel de bomberos
del Condado de Los Angeles.**



En el Condado de Los Angeles:

1-877-BABY SAFE

1-877-222-9723

www.babysafela.org



Estado de California
Gray Davis, Gobernador

Agenda de Salud y Servicios Humanos
(Health and Human Services Agency)
Grantland Johnson, Secretario

Departamento de Servicios Sociales
(Department of Social Services)
Rita Saenz, Directora



Consejo de Supervisores del Condado de Los Angeles

Gloria Molina, Supervisora, Primer Distrito

Yvonne Brathwaite Burke, Supervisora, Segundo Distrito

Zev Yaroslavsky, Supervisor, Tercer Distrito

Don Knabe, Supervisor, Cuarto Distrito

Michael D. Antonovich, Supervisor, Quinto Distrito

Esta Iniciativa tambien esta apollada por First 5 LA y INFO LINE de Los Angeles.

¿Qué es la Ley de Entrega de Bebés Sin Peligro?

La Ley de Entrega de Bebés Sin Peligro de California permite a los padres entregar a su recién nacido confidencialmente. Siempre que el bebé no haya sufrido abuso ni negligencia, padres pueden entregar a su recién nacido sin temor a ser arrestados o procesados.

¿Cómo funciona?

El padre/madre con dificultades que no pueda o no quiera cuidar de su recién nacido puede entregarlo en forma legal, confidencial y segura, dentro de los tres días del nacimiento. El bebé debe ser entregado a un empleado de una sala de emergencias o de un cuartel de bomberos del Condado de Los Angeles. Siempre que el bebé no presente signos de abuso o negligencia, no será necesario suministrar nombres ni información alguna. Si el padre/madre cambia de opinión posteriormente y desea recuperar a su bebé, los trabajadores utilizarán brazaletes para poder vincularlos. El bebé llevará un brazaletes y el padre/madre recibirá un brazaletes igual.

¿Qué pasa si el padre/madre desea recuperar a su bebé?

Los padres que cambien de opinión pueden empezar el proceso de reclamar a su recién nacido dentro de los 14 días. Estos padres deberán llamar al Departamento de Servicios para Niños y Familias (Department of Children and Family Services) del Condado de Los Angeles, al 1-800-540-4000.

¿Sólo los padres podrán llevar al recién nacido?

En la mayoría de los casos, los padres son los que llevan al bebé. La ley permite que otras personas lleven al bebé si tienen la custodia legal del menor.

¿Los padres deben llamar antes de llevar al bebé?

No. El padre/madre puede llevar a su bebé en cualquier momento, las 24 horas del día, los 7 días de la semana, mientras que entregue a su bebé a un empleado del hospital o de un cuartel de bomberos.

¿Es necesario que el padre/madre diga algo a las personas que reciben al bebé?

No. Sin embargo, el personal del hospital le pedirá que llene un cuestionario con la finalidad de recabar antecedentes médicos importantes, que resultan de gran utilidad para los cuidados que recibirá el bebé. Es recomendado llenar este cuestionario, pero no es obligatorio hacerlo.

¿Qué ocurrirá con el bebé?

El bebé será examinado y, de ser necesario, recibirá tratamiento médico. Luego el bebé se entregará a un hogar preadoptivo.

¿Qué pasará con el padre/madre?

Una vez que los padres hayan entregado a su bebé en forma segura, serán libres de irse.

¿Por qué California hace esto?

La finalidad de la Ley de Entrega de Bebés Sin Peligro es proteger a los bebés del abandono por parte de sus padres y de la posibilidad de que mueran o sufran daños. Usted probablemente haya escuchado historias trágicas sobre bebés abandonados en basureros o en baños públicos. Es posible que los padres que cometieron estos actos hayan estado atravesando dificultades emocionales graves. Las madres pueden haber ocultado su embarazo, por temor a lo que pasaría si sus familias se enteraran. Abandonaron a sus recién nacidos porque tenían miedo y no tenían adonde recurrir para obtener ayuda. El abandono de un recién nacido lo pone en una situación de peligro extremo. Además es ilegal. Muy a menudo el abandono provoca la muerte del bebé. Ahora, gracias a la Ley de Entrega de Bebés Sin Peligro, esta tragedia ya no debe suceder nunca más en California.

Historia de un bebé

A las 8:30 a.m. del jueves 25 de julio de 2002, se entregó un bebé recién nacido saludable en el St. Bernardine Medical Center en San Bernardino, en virtud de las disposiciones de la Ley de Entrega de Bebés Sin Peligro. Como lo establece la ley, la madre del bebé no se tuvo que identificar. Cuando el bebé llegó a la sala de emergencias, un pediatra lo revisó y determinó que el bebé estaba saludable y no tenía problemas. El bebé fue ubicado con una buena familia, mientras se iniciaban los trámites de adopción.

**Cada recién nacido merece una
oportunidad de tener una vida saludable.
Si alguien que usted conoce está pensando
en abandonar a un recién nacido, infórmele
qué otras opciones tiene.**

Es mejor que las mujeres busquen ayuda para recibir atención médica y asesoramiento adecuado durante el embarazo. Pero al mismo tiempo, queremos asegurarles a los padres que optan por no quedarse con su bebé que no irán a la cárcel si dejan a sus bebés en buenas manos en cualquier sala de emergencia de un hospital o en un cuartel de bomberos del Condado de Los Angeles.

EXHIBIT "U" TO LOAN AGREEMENT

CHARITABLE CONTRIBUTIONS CERTIFICATION



CHARITABLE CONTRIBUTIONS CERTIFICATION

Company Name

Address

Internal Revenue Service Employer Identification Number

California Registry of Charitable Trusts "CT" number (if applicable)

The Nonprofit Integrity Act (SB 1262, Chapter 919) added requirements to California's Supervision of Trustees and Fundraisers for Charitable Purposes Act, which regulates those receiving and raising charitable contributions.

CERTIFICATION

YES NO

Proposer or Contractor has examined its activities and determined that it does not now receive or raise charitable contributions regulated under California's Supervision of Trustees and Fundraisers for Charitable Purposes Act. If Proposer engages in activities subjecting it to those laws during the term of a Community Development Commission (CDC) and/or Housing Authority contract, it will timely comply with them and provide the CDC and/or Housing Authority a copy of its initial registration with the California State Attorney General's Registry of Charitable Trusts when filed.

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OR

YES NO

Proposer of Contractor is registered with the California Registry of Charitable Trusts under the CT number listed above and is in compliance with its registration and reporting requirements under California law. Attached is a copy of its most recent filing with the Registry of Charitable Trusts as required by Title 11 California Code of Regulations, sections 300-301 and Government Code sections 12585-12586.

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Signature

Date

Print

EXHIBIT "V" TO LOAN AGREEMENT

FEDERAL LOBBYIST REQUIREMENTS CERTIFICATION